CORPORATE SOCIAL RESPONSIBILITY- IMPACT ON THE PROFITABILITY & SALES OF INDIAN SELECTED ORGANIZATIONS

ASHISH TRIPATHI
Research Scholar, Shri Venkateshwara University Gajraula, India

Dr KIRTI AGARWAL
Director, ITERC College Ghaziabad, Ncr
Supervisor, Shri Venkateshwara University, Gajraula

ABSTRACT

The present-day conception of corporate social responsibility (CSR) implies that companies voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders. The notion of CSR is one of ethical and moral issues surrounding corporate decision making and behavior, thus if a company should undertake certain activities or refrain from doing so because they are beneficial or harmful to society is a central question. Social issues deserve moral consideration of their own and should lead managers to consider the social impacts of corporate activities in decision making. This paper focuses the impact of CSR on the profitability and actual annual sales of selected Indian organizations.

Keywords: CSR, Profitability, Performance

INTRODUCTION

Corporate Social Responsibility is about how corporations can make themselves good citizens – that is to say by doing the co-operative and supportive things that citizens do among each other. This is a very distinct position from the 'traditional' ruthless and self interested stance of business. Corporations do much good in the course of their business
activities, supplying us with products and services of many kinds. They do this, however, not out of a moral sense of goodness, but because they create value for their shareholders by doing so. CSR recognizes a different relationship to the world, in which businesses are not merely exploiters of opportunities in creating value, but in which businesses coexist with populations, governments and many other kinds of organization in creating the world in which we live. CSR is about a feeling of duty or obligation that goes beyond the duties and obligations laid down by law. CSR is essentially a voluntary initiative by business, which governments both nationally and internationally will often try to encourage, but are reluctant to regulate. It is a continuation of the motivation that led earlier businesses into the field of philanthropy, which in turn gradually developed into a broader concept of the responsibility of stewardship.

Although there have been some specific initiatives taken by certain corporations with regard to CSR, they have focused on corporate philanthropy, following the principles of Gandhian social trusteeship to a large extent. However, the efforts often seem rather irregular and inconsistent. Therefore, (local as well as multinational corporations’ roles in India with regard to CSR practices remain quite ambiguous, vague, controversial, and unresolved. Conflicting evidence (e.g. Ruud 2002, Kumar et al. 2001) in CSR studies of Indian companies clearly shows that their role in this context is yet to be determined clearly. While the principles of Gandhian trusteeship seem to be present in some form, the extent of its influence is inconclusive.

EVOLUTION OF CSR IN INDIA

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate.[1] The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the oldest traditions of CSR. But CSR practices are regularly not practiced or done only in namesake specially by MNCs with no cultural and emotional attachments to India. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realised then the CSR approach of corporates has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

CURRENT STATE OF CSR IN INDIA

CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing
number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness. Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.[7]

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living. Also, corporates increasingly join hands with non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

THE SCOPE OF CSR GLOBALLY

Given that there is ‘no consensus’ as to what constitutes corporate social responsibility, the broad and optimistic statements made by some governments, the EU, the UN and numerous NGOs must be approached with caution. They may form a recognisable and active policy, but what corporations do in practice is a different matter. Provided that they remain within the law, corporations have a great deal of freedom in how to behave. Vogel asks us some questions that we will consider later in this module:

- Are companies morally obligated to insist that their contractors pay a 'living wage' rather than market wages?
- Are investments in natural resource development in poor countries with corrupt governments always, sometimes or never irresponsible?
- Are environmental expenditures necessarily wealth-enhancing?
- Is it irresponsible to produce weapons or nuclear power or to make money from gambling?

REVIEW LITERATURE

Simons, J., (2008)- emphasised that the firms will experience divergent degrees of internal, external and lateral pressures to engage in CSR, as firms are embedded in different national business systems. Blomback, A. and C. Wigren, (2009) – according to him corporate social responsibility is going to be very important concept and research topic in the study of the organizations. Saeed, (2010) - depicts that CSR initiatives in India are now taken by many corporate firms. Especially for the of packaging materials, these companies are doing work in the field of Environment care, Health care, Education, Community welfare, Women's empowerment and Girl Child care. Companies like Hindustan Unilever started work on CO2 reduction also. Sharma, Nishi (2011)- recommended a list of core thrust areas for reporting
CSR activities by the Indian banks as: children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women's empowerment, and protection to girl child, employment. Ahmed et al. (2012) suggested that the CSR can increase both long term profitability and sustainability as well as enhance the reputation.

PROBLEM STATEMENT

The purpose of this research is to arrive at a clear conceptualization of CSR in the context of an emerging Asian market. India – as an up-and-coming emerging Asian giant – was chosen as the research setting to endow the study with a more specific perspective. The present research has an attempt to understand the status and progress and initiatives made by large firms of India in context to CSR policy framing and implementation. Data has been collected from the official websites of the firms, in-person interviews and through structured questionnaire. The CSR initiatives in context to profitability, sales, investment, health, education, environment and various other sectors may be rated and identified subject to availability of the data.

OBJECTIVES OF THE STUDY

• To analyze the CSR strategy adopted by selected organizations
• To find out the challenges of selected organizations in practicing of its CSR programmes
• To focus whether Corporate Social Responsibility guarantee the customers’ confidence level in the organization
• to evaluate and compare CSR performance levels.

RESEARCH METHODOLOGY & DESIGN

Research design is the structuring of investigation aimed at identifying variables and their relationship to one another. A research design encompasses the methodology and procedures employed to conduct scientific research. A research design mainly consists of two types of research: Qualitative Research and Quantitative Research

Qualitative research & Quantitative research

Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena. Quantitative data is any data that is in numerical form such as statistics, percentages, etc. In this study, the research design used is the quantitative & survey design. A survey research design is one in which the sample subject and variables that are being studied are simply being observed as they are without any attempt to control or manipulate them.

DATA COLLECTION: The data is both primary data as well as secondary data. Primary Data: Primary data that has been collected from first-hand-experience is known as primary data. Primary data has not been published yet and is more reliable, authentic and objective.
The primary data method of my research work is the questionnaire method, interview method and survey method. **Secondary Data:** Secondary data collected from books, journals and periodicals, internet, e-journals, general websites, weblogs, and financial statement reports and records.

**SAMPLE SIZE & SAMPLING PROCEDURE**

The study population is very large, 300 questionnaires had been distributed among the sampled companies from the top level management, middle level management, CSR managers, and others which should be a good representation of the population based on stratified sampling. But only 260 questionnaires returned by respondents, rest were unfilled, half filled & lost. For the sake of convenience, only 250 responses have been incorporated for analysis purposes. This cuts across the various departments in the organization such as corporate affairs department, customer services department, retail department, marketing department and others.

**SAMPLE AREA -** Sample area Delhi (NCR).

**STATISTICAL TOOLS**

SPSS (Statistical Package Software for Social Sciences) was used to analyze the data to get the Correlation Coefficient for satisfying hypothesis. Both descriptive and inferential statistics will be used for analyses. Frequencies, percentages and cross-tabulation of variables was used for descriptive statistics while percentage analysis, tabulation etc also was used for testing the hypotheses.

**CSR PRACTICES BY DIFFERENT CORPORATES**

There are different companies which are involved in CSR activities. Almost all companies have initiated, funded and implemented, significant community development schemes. These companies now help to build schools and hospitals, launch micro-credit schemes for local people and assist youth employment programs. Following are different companies which are contributing to the well being of society.

![Figure 1: Contribution of Oil Companies](image)
**FIGURE 2:** CONTRIBUTION OF AUTOMOBILE COMPANIES

**FIGURE 3:** CONTRIBUTION OF FOOD BEVERAGES COMPANIES

**FIGURE 4:** CONTRIBUTION OF OTHER COMPANIES
HYPOTHESIS TESTING

Null hypothesis
H1: Corporate Social Responsibility has no significant impact on the profitability of organizations
H2: Actual Amount of Investment in CSR activities made by the sample organizations has no significant correlation with Actual Annual Sales

Alternate Hypothesis
H1: Corporate Social Responsibility has a significant impact on the profitability of sample organizations
H2: Actual Amount of Investment in CSR activities made by the sample organizations has a significant correlation with Actual Annual Sales

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TABLE 1: CORRELATIONS ACTUAL AMOUNT SPENT ON CSR & PROFITABILITY OF ORGANIZATIONS FOR 2013-14

<table>
<thead>
<tr>
<th>Actual amount spent on CSR in Rs. crores (Rs.)</th>
<th>Pearson Correlation</th>
<th>Profitability in Rs. Crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (’11-'12) in Rs. Crores</td>
<td>N</td>
<td>.957**</td>
</tr>
<tr>
<td>Profit (’12-'13) in Rs. Crores</td>
<td>N</td>
<td>.743*</td>
</tr>
<tr>
<td>Profit (’13-'14) in Rs. Crores</td>
<td>N</td>
<td>.800**</td>
</tr>
</tbody>
</table>

INTERPRETATION

As per the results of the Pearson’s Correlation Test performed on the sample the following interpretations can be arrived at:

There is a significant positive correlation between the Actual Amount of Investment in CSR activities made by the sample companies and the Actual Annual profit of these companies during the years. In this case the Pearson’s Correlation Coefficient is 0.957. Thus it can be interpreted that in all years the actual annual profit was strongly correlated to the actual amount spent on CSR activities.
CSR investment made by sampled companies which has been considered as a constant benchmark.

H2: Actual Amount of Investment in CSR activities made by the sample organizations has no significant correlation with Actual Annual Sales


<table>
<thead>
<tr>
<th>Actual amount spent on in crore (Rs.)</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>Sale in Rs. Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ('11-'12) in Rs. Crores</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.985**</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Sales ('12-'13) in Rs. Crores</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.985**</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Sales ('13-'14) in Rs. Crores</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.800**</td>
<td>.010</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>.010</td>
</tr>
</tbody>
</table>

**INTERPRETATION**

As per the results of the Pearson”s Correlation Test performed on the sample the following interpretations can be arrived at:

1. There is a significant positive correlation between the Actual Amount of Investment in CSR activities made by the sample companies in 2013-14 and the Actual Annual Sales of these companies in 2007-08 and 2008-09. In the second case the Pearson”s Correlation Coefficient is 0.890, thus is significant at 0.01 level of confidence. Thus the null hypothesis was rejected as the p values in the cases were less than 0.05. Thus it can be said that there is a positive linear relationship between the sales with the CSR investment made by companies in the sense that as an increase in sales may lead to increase in CSR activities and vice-versa.
### TABLE 3: CSR INVESTMENT, SALES & PROFITABILITY OF SAMPLED COMPANIES (2011-2014)

<table>
<thead>
<tr>
<th>Company</th>
<th>Actual amount spent on CSR in crore (Rs.)</th>
<th>Sales in Rs. crores</th>
<th>Profit in Rs. crores</th>
<th>Industry Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAIL India Ltd.</td>
<td>46.0</td>
<td>58000</td>
<td>1650</td>
<td>Oil and Gas</td>
</tr>
<tr>
<td>Nestle (India) Ltd,</td>
<td>0.9</td>
<td>920</td>
<td>1007</td>
<td>Food Beverages</td>
</tr>
<tr>
<td>Bajaj Auto</td>
<td>2.9</td>
<td>2700</td>
<td>1076</td>
<td>Automobiles</td>
</tr>
<tr>
<td>Larsen &amp; Toubro Ltd</td>
<td>46.2</td>
<td>35000</td>
<td>1166</td>
<td>Heavy Engineering</td>
</tr>
<tr>
<td>Mahindra &amp; Mahindra Ltd.</td>
<td>18.3</td>
<td>21500</td>
<td>1303</td>
<td>Automobiles</td>
</tr>
<tr>
<td>NTPC</td>
<td>4.2</td>
<td>1220</td>
<td>1691</td>
<td>Heavy Engineering</td>
</tr>
<tr>
<td>Wipro</td>
<td>5.5</td>
<td>42500</td>
<td>1076</td>
<td>Information Technology</td>
</tr>
<tr>
<td>ITC Ltd</td>
<td>43.8</td>
<td>7500</td>
<td>2009</td>
<td>Transport</td>
</tr>
<tr>
<td>Oil &amp; Natural Gas Corporation Ltd.</td>
<td>140.0</td>
<td>80000</td>
<td>4832</td>
<td>Oil and Gas</td>
</tr>
<tr>
<td>Tata Consultancy Services (TCS)</td>
<td>4.7</td>
<td>34800</td>
<td>983</td>
<td>Information Technology</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>6.4</td>
<td>47700</td>
<td>1450</td>
<td>Food &amp; beverages</td>
</tr>
<tr>
<td>Maruti</td>
<td>13.6</td>
<td>18500</td>
<td>1101</td>
<td>Automobile</td>
</tr>
</tbody>
</table>

### INTERPRETATION

It is clear from the above results that there is a correlation between Sales and CSR Investment. More companies need to start disclosing their CSR Investment to help us understand the impact better. CSR has a wide-ranging effect across the globe especially in emerging markets. As discussed in this thesis, in India CSR is still at a very nascent stage. Corporate leaders and their general counsels have to give compliance issues a higher priority as they recognize the risk of increased scrutiny on the legal angle of their global operations. Companies report legal compliance, making a stronger indicator of actual working conditions. The socially responsible investment community would do well to separate out legal requirements and form one assessment on these, and then evaluate a company on "beyond compliance" issues. Legislation also needs to be made more universal (with certain culture specific modifications). Most importantly, a regular monitoring of a company's CSR activities is required both by the state and by the company itself. Upper management must be persuaded to support not only CSR goals, but regulatory recommendations as well especially regarding disclosure of CSR investment. Every company (especially MNCs) needs to emphasize on CSR activities to strengthen their market position, improve goodwill and thereby profitability and last but not the least to give back something positive to the society and environment.
FINDINGS OF THE STUDY

On the basis of the analysis it was found that with respect to health care initiatives firms those are going for CSR initiatives are: Nestle, TCS, ITC and Maruti. With respect to education sector firms named: wipro TCS, and ONGC are taking initiatives. With respect to environment initiatives firms promoting the same are: Maruti & NTPC. Thus its very much clearer from the results that IT and Auto sector is common in the three sector that is health, education and environment, while Heavy Engineering sector has focused yet only upon health care initiatives.

CONCLUSION

It can be concluded that wipro and TCS are the leading firms with respect to CSR initiatives. And this also shows that Auto and IT sector are more into the implementation of CSR initiatives. Automobile is somewhat lagging behind in the initiation of social responsibility practices. Although ITC is the leading firm with respect to CSR initiatives but still incomparision to other sectors and firms other sector is only into health care initiatives. Government has to take some steps to impose or motivate auto firms, so that they can also start investment in the social responsibility initiatives. The majority of the respondents (85 percent, including all the companies of Indian origin) had no doubts regarding the company’s focus on financial competitiveness first, arguing that a company suffering financially can never do viable work with regard to CSR issues. Two companies opined that it is possible to focus simultaneously on the triple bottom line, and that true financial success must encompass social and environmental factors. Companies were not explicitly forthcoming on their position in India, although stressing that internationally they would follow the triple bottom line principle. This is an interesting differentiation between CSR and corporate philanthropy in India, as many scholars would interpret both instances only as different levels of corporate philanthropy, and not CSR – which would include the businesses, or even corporates.

All the Indian subsidiaries of foreign firms revealed that their CSR-related activities in India are congruent with those of their global headquarters, although they are customized locally. For example, if a global MNC has education as one of its CSR principles, the Indian unit may undertake special programs on adult literacy and afternoon schools for children in slums. A majority (57 percent) also mentioned that they incorporate CSR activities into their core corporate strategy and processes. However, upon further probing, it was revealed that in fact the CSR programs undertaken are closely related to their core business (i.e. healthcare), but is not actually integrated in the sense of a business case for sustainability.
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