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Corporate Social Responsibility Initiatives Of Nse Nifty Companies: Content, Implementation Strategies & Impact

CONTENT

I Background

The role of business in society has been debated in economic literature for a long time. By the term 'Corporate Social Responsibility' (CSR), what is generally understood is that business has an obligation to society that extends beyond its narrow obligation to its owners or shareholders. This idea has been discussed throughout the twentieth century, but it was Howard R. Bowen's book on "Social Responsibilities of Businessman" published in 1953, which was the origin of the modern debate on the subject. Bowen reasoned that there would be general social and economic benefits that would accrue to society, if business recognized broader social goals in its decisions.

Corporate Social Responsibility is nothing but what an organization does to positively influence the society in which it exists. It could take the form of community relationship, volunteer assistance programmes, healthcare initiatives, special education / training programmes and scholarships, preservation of cultural heritage and beautification of cities. The philosophy is, basically to give back to the society, what it (business) has taken from it, in the course of its quest for creation of wealth.

There is no single, commonly accepted definition of Corporate Social Responsibility. But following the US – UK tradition, it can be defined as follows:

> "Corporate Social Responsibility is operating a business in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from business."

The debate, on whether responsibility of a business enterprise is only to its shareholders (owners) or to all stakeholders, including environment and the society at large, is an on going one and continues. In received literature "Stakeholder", as an expression is fairly recent in origin, reportedly appearing first in an internal memorandum of the Stanford Research Institute in the year 1963. According to a definition given by Edward Freeman "A stakeholder is any group or individual who can effect, or is effected by the activities and achievements of an organisation." Friedrich Neubauer and Ada Demb in "The Legitimate Corporation" identify six groups of distinguishable stakeholders (not necessarily in this order) as follows –

a) Providers of funds
b) Employees
c) General public
d) Government
e) Customers and
f) Suppliers

On the one hand experts have argued that shareholders put their risk capital in a Joint Stock Company (or business) and therefore, companies should be managed in the interest of the owners or the shareholders. This primacy of treatment given to the shareholders is being justified on the grounds of ownership and shareholding. It is felt that maximisation of profits or the bottom line should be the ultimate objective of the management. On the other hand, a number of experts will not agree with this position. For example, in Japan employees are treated as family. It is felt that an employee who devotes his or her life to the company has a bigger stake in it as compared to a shareholder. Germany is another nation where stakeholder recognition is high. Prominent among the experts who has taken a broader view is Minks who has argued that any company with a short term in view, only maximising profits for the shareholders, will destroy value in the medium to long run.

It is felt that the moot point here is the time frame. And that in the long run, the sustainability of the enterprise will be of paramount importance. In the long run, interests of both the stakeholders and the shareholders are not only likely to converge, but also have to be balanced.

In the tradition of Hobbes, Locke & Jean Jacque Russeau (writing in year 1762), society and corporations must co-exist and contribute to the well being of each other. There is a contract, which is at once explicit and implicit, that governs the operation of business within a given community. Benjamin Franklin has also expressed a similar sentiment when he says that "Doing good is not a private act between a bountiful giver and a grateful receiver, it is a prudent social act."

The objective of the present study is to understand, document and review the Corporate Social Responsibility Initiatives of relatively large companies in India, with a view to understand their current thinking on the subject and draw lessons for future. The study, we hope, would help other small and medium sized companies, to actualize their CSR interventions.

The study is divided into six sections: After giving a genesis and background of the subject, the second section gives a review of literature covering various facets and areas, which are touched upon by corporate social responsibility, including the arguments put forward both for and against CSR. The third sections deals with the methodology adopted for the study. The fourth section talks about the Indian experience in the area. The fifth section presents the main findings of the study, collected through the questionnaires sent to all the companies and collated by the research team. The sixth section is a documentation of the case studies, specifically five detailed case studies from among the sample companies. The last section enumerates the concluding observation and lessons for future.

II Literature Survey

Why Corporate Social Responsibility?

David Wheeler and Maria Sillanpa in "The Stakeholder Corporation" state that by 1998, 51 out of the 100 largest economies were not nation states, but corporations. According to Wheeler & Sillanpa, in 1998, General Motors was bigger than Denmark; Toyota was bigger than South Africa. Yet at the beginning of the 21st century, the gap between the world's rich and poor is wider than ever before.

In 1999, The United Nations reported that the world's then three richest people - Bill Gates of Microsoft, the Sultan of Brunei and the Walton family of the Wall Mart retail chain - were worth more than the combined gross domestic product of the world's 34 poorest nations. Thus, the modern day large corporations are often larger than nation states. Rich individuals own and command resources that are so large, often larger as compared to smaller/poorer nations. With great power (and size), comes great responsibility.

The second important development in the late 20th century has been the rolling back of the State. It is increasing being realised that the State cannot and should not perform all functions it was performing in the earlier periods. In many countries, national and local governments have taken a "hands off" approach to regulating business, both due to

a) Globalisation of trade & commerce - Most experts are averse to legal interventions. Internationally self-regulation linked to openness, transparency & accountability seems to generate by far, the maximum response. In response to liberalisation, role of state is shrinking.

b) Shrinking of resources - Most of the governments at the national and local levels are experiencing shortage of funds and a shrinking resource base.

Over the past decades, a growing number of companies have recognised the business benefits of CSR policies and practices. Their experiences have been bolstered by a growing body of empirical studies, which demonstrate that CSR has a positive impact on business economic performance and it not harmful to shareholder value.

Companies have also been encouraged to adopt and / or expand CSR efforts as a result of pressures from customers, suppliers, employees, communities, investors, activist organisation and other stakeholders. As a result CSR has grown dramatically in recent years with companies of all sizes and sectors developing innovative strategies.

Corporates have experienced a range of bottom line benefits, which include -

1. **Improved financial performance :** A recent longitudinal Harvard University study has found that "stakeholder balanced" companies showed four times the growth rate and eight times

employment growth when compared to companies that focussed only on shareholders and profit maximisation.

2. **Enhanced brand image & reputation :** A company considered socially responsible can benefit - both by its enhanced reputation with the public, as well as its reputation within the business community, increasing a company's ability to attract capital and trading partners. For example, a 1997 study by two Boston College management professors found that excellent employee, customer and community relations are more important than strong shareholder returns in earning corporations a place an Fortune magazine's annual "Most Admired Companies" list.

3. **Increased sales and customer loyalty** : A number of studies have suggested a large and growing market for the products and services of companies perceived to be socially responsible. While businesses must first satisfy customers' key buying criteria - such as price, quality, appearance, taste, availability, safety and convenience. Studies also show a growing desire to buy based on other value-based criteria, such as " sweatshop-free" and “child labour-free” clothing, products with smaller environmental impact, and absence of genetically modified materials or ingredients.

4. **Increased ability to attract and retain employees** : Companies perceived to have strong CSR commitments often find it easier to recruit employees, particularly in tight labour markets. Retention levels may be higher too, resulting in a reduction in turnover and associated recruitment and training costs. Tight labour markets as well the trend toward multiple jobs for shorter periods of time are challenging companies to develop ways to generate a return on the consideration resources invested in recruiting, hiring, and training.

5. **Reduced regulatory oversight** : Companies that demonstrate that they are engaging in practices that satisfy and go beyond regulatory compliance requirements are being given less scrutiny and more free reign by both national and local government entities. In many cases, such companies are subject to fewer inspections and paperwork, and may be given preference or "fast-track" treatment when applying for operating permits, zoning variances or other forms of governmental permission.

6. **Easier access to capital** : The Social Investment Forum reports that, in the U.S. in 1999, there is more than $2 trillion in assets under management in portfolios that use screens linked to ethics, the environment, and corporate social responsibility. It is clear that companies addressing

ethical, social, and environmental responsibilities have rapidly growing access to capital that might not otherwise have been available.

Arguments against Corporate Social Responsibility:

If the arguments against a socially responsible approach were widely accepted, nobody would even be talking CSR. But those of us who spend our time marshalling the case **for** would do well to spend a little time hearing the case **against**, and considering what should be the response. The following are some of the arguments advanced against corporate social responsibility -

1) Businesses are owned by their shareholders - any money they spend on so-called social responsibility is effectively theft from those shareholders - who can, after all, decide for themselves if they want to give to charity. This is the voice of the laisser-faire in the 1980s, still being given powerful voice by advocates such as **Elaine Sternberg,** in US. Sternberg argues that there is a human rights case against CSR, which is that a stakeholder approach to management deprives shareholders of their property rights. She states that the objectives sought by conventional views of social responsibility are absurd. Not all aspects of CSR are guilty of this, however, Sternberg states that ordinary decency, honesty and fairness should be expected of any corporation.

In the first instance, this case strongly depends on the model of social responsibility adopted by the business being a philanthropic one. The starting point assumption is that, through CSR, corporations simply get to "give away" money which rightfully belongs to other people. If CSR is seen as a process by which the business manages its relationships with a variety of influential stakeholders who can have a real influence on its license to operate, the business case becomes immediately apparent. CSR is about building relationships with customers, about attracting and retaining talented staff, about managing risk, and about assuring reputation. The market capitalisation of a company often far exceeds the "property" value of the company. For instance, in many knowledge based industries "intangibles" - account for a large percentage of capitalisation - a major part of which rests on the reputation of the company. No company would like to or should risk the reputation of the company.

In any case, if shareholders are to be accorded full property rights one would expect to see the balancing feature of responsibility for the actions taken by the enterprises they often fleetingly own. Since most shareholders remain completely unaware of any such responsibility, it can only fall to the management - the "controlling mind" of the company, to take that responsibility on.

2) The second argument being advanced is that the leading companies who report on their social responsibility are basket cases - the most effective business leaders don't waste time with this stuff. Look at the recent "Most Respected Companies" survey by the Financial Times. Who are the most respected companies and business leaders at the current time? Rather predictably, they are Jack Welch and General Electric, and Bill Gates and Microsoft. Neither have achieved their world class status through playing nice. Welch is still remembered for the brutal downsizing that he led his business through, and for the environmental pollution incidents and prosecutions. Microsoft has had one of the highest profile cases of bullying market dominance of recent times - and Gates has been able to achieve the financial status where he can choose to give lots of money away by being ruthless in business.

   Here again the argument is against short termism (profit maximisation) and "building to last". Sustainability of enterprise over a long period pre-supposes, co-option of stakeholders on the agenda.

3) The third argument against CSR, runs some what like this - Our company is too busy surviving hard times to do this. We can't afford to take our eye off the ball - we have to focus on core business. It's all very well for the very big companies with lots of resources at their disposal. For those fighting for survival, it's a very different picture. You can't go spending money on unnecessary frills when you're laying people off and morale is rock bottom. And the odd bit of employee volunteering won't make any difference to our people when they feel cynical and negative about how the company operates.

   Corporate social responsibility is often presented as an extra cost, an added burden born by the corporation already struggling to be profitable in a difficult economic phase. But in some situations, the opportunity to improve its business ethics also offers the company extra ordinary marketing and branding possibilities.

   It is argued that high values are a luxury, which only wealthy and successful companies can afford. We need to pint out that companies known for their ethics adopted these values not when they had become big and prosperous, but when they were small outfits. And it is precisely their values that gave them the backing of the public in difficult times, which enabled them to grow to their present giant size.

4) It is argued that CSR is the responsibility of the politicians. It's not business's role to get involved. Business has traditionally been beyond morality and public policy. We expect governments to provide the legal framework that says what society will put up with. There's no point, for instance, allowing smoking to remain legal - even making large tax receipt from it - and

then acting as though tobacco companies are all immediately beyond the pale. If you think it's so dreadful, you should make it illegal. If not, then let us get on with the job of meeting the demand out there of adults who can choose for themselves.

Whether or not business should undertake CSR and the forms that responsibility should take depends upon the economic perspective of the firm that is adopted. Those who adopt the neo-classical view of the firm would believe that the only social responsibility of business is provision of employment and payment of taxes. An alternative view of the firm following the behavioral theorists might view CSR activities from a standpoint that examines political and non-economical influences on managerial behavior.

In the above background, we discuss the theoretical positions on Corporate Social Responsibility taken over time in the following section.

Theoretical Views:

As we have seen in the earlier section, many experts feel that business corporation exist primarily to produce goods and services that society wants and needs. There are three or four theoretical views about Corporate Social Responsibility. We discuss some of them in the following paragraphs -

- **Milton Friedman,** a Nobel laureate, held the view that the only social responsibility of business was to maximise profits for shareholders, staying within the realm of law. Achieving this is their first objective and foremost responsibility. If they are unsuccessful in this mission, they cannot reasonably be expected to assume other responsibilities. His very famous statement says it all **- "The business of business is business".** Friedman's defense of this theory depends importantly on the factual claims about the efficient working of the markets. He has also proposed the following arguments:

  a) Business executives have no special competence to directly promote the general welfare. And since they are not democratically elected and are not accountable to the general public, business executives should not impose their own vision of the public good on the society.

  b) When business sacrifices profits for the sake of promoting social ends, they are violating the rights of the shareholders, and in effect stealing their money.

Wang & Coffey also hold a similar view, when they saw that "Business has no democratic mandate, historic role or other basis for legitimacy in this area. Any choices made by them eg. to back one type of cause or another, are not sanctioned by any agreed system of legitimacy and end up reflecting the interests, prejudice and aims of current corporate leader".

Hayek and Heilbroner also express similar view in their well-known essay 'In the Name of Profit'. Task Force set up in the USA as also the Libertarian Party in the USA is known to have taken similar position on the subject.

- **Andrew Carnegie**, the legendary steel tycoon, writing in the year 1889 believed that rich had the moral obligation to give away their fortunes and that personal wealth beyond the family's needs should be regarded as trust fund for the benefit of the society. "The Trusteeship Concept" advocated by M. K. Gandhi in India is something very similar. The steel tycoon also believed that the money should be given during the benefactor's lifetime to ensure that it achieved the maximum good. Carnegie had identified seven best uses to which a millionaire can devote the surplus of which he must regard himself as only the trustee. These were:

    - The founding of a university
    - Providing free libraries
    - Founding or extension of hospitals, medical colleges and laboratories
    - Public parks
    - Providing halls suitable for meetings and concerts of elevating music
    - Public swimming baths
    - One's own church and churches in poor neighborhoods.

    He advocates **benevolent, paternalistic leadership** and has enunciated the

    - Charity Principle and
    - Stewardship principle

- **Keith Davis** feels that social responsibility is often referred to as having risen from an *Enlightened Self Interest* where organisations realize that it is in their own best interest to act in ways that community considers socially responsible. He talks about the "Iron Law of Responsibility". In the long run, those who do not use power in a way society considers responsible will tend to loose it.

In USA, there is a 5 % club, where a group of companies donate five percent of their pre-tax profits to charity. In India, many large companies do the same thing in the name of religion -

either build temples (mainly Hindu), run charitable religious trusts (mainly Parsi), give to the church fund (mainly Christian) or promote the study of religious (mainly Kuranic) literature. Some experts classify these as enlightened self-interest.

➢ **<u>Tom Cannon</u>**, holds the view that society and the corporation or business have to co-exist and have a mutually beneficial relationship. <u>Business is expected</u> to create wealth, supply market, generate employment, innovate and produce a sufficient surplus to sustain its activities and improve its competitiveness while contributing to the maintenance of the community in which it operates. <u>Society is expected</u> to provide an environment in which business can develop and prosper, allowing investors to earn returns while ensuing that the stakeholders can enjoy the benefits of their involvement without fear of arbitrary and unjust action.

Business depends for its survival and long-term prosperity on society providing the resources - people, raw materials, services, infrastructure. To convert raw material into profitable goods/services, it needs these inputs from the society. Business relies on society

a) Supplying a mean of exchange - typically money - to allow it to convert the goods it produces into assets.
b) Without a legal, judiciary and a policing system, business could not be certain that it was safe to enjoy the rewards of its enterprise.
c) Trade agreements and defense are needed to ensure long term stable trading conditions.

SOCIETY provides	**BUSINESS provides**
- Means of Exchange	- Products & Services
- Trained Manpower	- Direct & Indirect Employment
- Legal & Banking Systems	- Income Generation in terms of Wages, dividends, taxes, interest
- Social infrastructure like Road, Schools, Hospitals etc.	

In addition to the above, with the advent of the Joint Stock Company society grants to business two very special rights to assist business in performing its role - The first is "Potential immortality" and the second is "Limited Liability". Thus, according to Cannon, in return for these special privileges being granted to business, it does have a responsibility to fulfill to the society / community at large.

A Historical Perspective:

There is a need to look at social responsibility in a historical perspective. A large number of documentations have been done for this purpose. Some of the conclusions that emerge out of these documentations are - There has been one clear lesson from history. Anglo – Saxon companies have often willingly taken on social obligations, without the prompting of governments. Nor has corporate social responsibility been the preserve of only of a few do-gooders inspired by religion.

Company townships, such as Pullman in the US and Jamshedpur in India, were constructed, the argument being that well housed workers would be more productive than their slum dwelling contemporaries. In the UK and the US, companies introduced pension and healthcare benefits long before governments told them to do so. Proctor & Gamble pioneered disability and retirement pensions (in 1915), the eight-hour day (in 1918) and most important of them all guaranteed work for at least 48 weeks a year (in 1920). Henry Ford became a cult figure by paying his workers $ 5 an hour – twice the market rate. Henry Heinz paid for education in citizenship for his employees, and Tom Watson's IBM gave its workers everything from subsidised education to country club membership.

Critics tend to dismiss all this as window dressing. But Richard Tedlow, a historian at Harvard Business School, argues that we confuse the habit of capital markets with those of companies. Capital markets may be ruthless in pursuing short-term results. Corporations, according to him have always tended to be long termist. Most companies do good because they genuinely believe that taking care of their workers and others in society is in the long term interests of their shareholders. The majority of the successful companies have eschewed short-termism in favour of "building to last". There are two reasons why acting responsibly is in shareholders' interests:

a) The first is that it builds trust, and trust gives companies benefit of doubt when dealing with customers, workers and even regulators. It allows them to weather storms such as lay off etc.
b) The second is the edge it gives in attracting and retaining good employees and customers.

It has been repeatedly observed that companies are most effective as social volunteers when they are doing things that are close to their shareholders interests. These interests clearly differ with sectors and industries in which the companies operate: oil companies clearly emphasise building local infrastructure; Avon, which sells products largely to women, is one of the world's biggest supporters of breast cancer research.

Values, Ethics & Social Responsibility:

Business ethics is not a distinct and separate aspect of corporate life. It permeates all aspects and departments of the firm, its operations and its links with the community. At times, the word ethics and values are used interchangeably. Values, are set of beliefs germane to the individual, group or organisation and is the basis for action. It is something, which is held in regard, importance or worth. Values, is essentially a thought based concept. While ethics is a set of actions, born out of beliefs, attitudes and values. It is a branch of knowledge concerned with moral principles that govern or influence conduct. Ethics, is essentially an activity-based concept.

Ethics is person specific, context specific and culture specific. It is also important to distinguish between 'managerial ethics' and 'business ethic'. While the former is a micro view and is an examination of individual level behaviour. The latter is a macro view and examines organisational behaviour. It is important to look at the micro level behaviour because a) Most unethical decisions emanate at the individual level, rather than as collective decisions of boards or committees, and b) Individual sensitivities will contribute to companies taking an active ethical stand while making decisions.

Ethics and CSR are closely related concepts. Ethics deal with issues pertaining to organisations and its stakeholders in day-to-day business transactions. Social responsibility refers to a company's posture relative to the community either narrowly or broadly defined. Ethics tends to be more internal in orientation, while social responsibility is more external, but this orientation is not an absolute one. Many companies that are highly ethical also exhibit heightened levels of social responsibility. In facts, the term corporate citizenship is used now to denote many of the activities that fell under the CSR umbrella earlier.

Social Accounting & Reporting:

An increasing number of companies are reporting publicly on their social, environmental and ethical performance, both as a communication to stakeholders, and as a management tool. However, as this practice has only become more widespread since the mid 1990s, there is as yet no standard format to address the type of information companies choose to report, or how that information is collected, analyzed and presented.

At the same time, many stakeholders are becoming increasingly sophisticated in the type and quality of information they are demanding from companies. In an effort to meet these demands - as well as to strengthen the credibility of their social and environmental reports - some companies are choosing to have their reports externally verified. In doing so, companies recognize that verification by a third party can add value to the overall social and environmental reporting process by enhancing relationships with stakeholders, improving business performance and decision-making, aligning practice with organizational values, and strengthening reputation risk management.

A small, but growing, number of companies are producing verified social and environmental reports, with the social report movement, in particular, being led in large part by European companies. Verification refers to any independent assessment as to the quality, accuracy, or completeness of a company's report and can include audits, reviews, attestations, or other forms of assurance.

As Shell has noted in its Principles and Profits Report, society has moved from a 'Trust Me' position, through a 'Tell Me' position to a 'Show Me' position, implying that verbal assurances by corporate management are no longer sufficient to gain the trust of stakeholders. Independent verification of social and environmental reports is one way in which companies are addressing this lack of trust.

During the 1990s, calls for greater corporate social accountability by activists, non-governmental organizations (NGOs), governments and the general public increased, both in the United States and internationally. Additionally, increasing numbers of investors taking companies' social and environmental performance into account in their investment decisions.

The trends in environmental reporting have begun to be duplicated in social reporting. Standards developed by non-corporate organizations provide targets against which social performance may be measured. Guidelines also address how social performance can and should be reported. For example, SA8000, launched in 1997 by Social Accountability International (formerly Council on Economic Priorities Accreditation Agency) is an auditable standard specifically addressing labor and workplace conditions. The Global Reporting Initiative Sustainability Guidelines, revised in June 2000, provide a framework and principles for reporting on environmental, social and economic corporate performance. AA1000, a standard for the social reporting process, was developed by the Institute of Social and Ethical Accountability and publicly released in 1999.

During the late 1980s and 1990s, non-governmental organizations have been at the forefront of campaigns on social and environmental issues, becoming a powerful force in both publicizing a wide range of corporate social responsibility issues and in pressuring companies to address them. Representing particular stakeholder issues, they have challenged corporate reporting of social and environmental performance and demanded independent monitoring of social issues, as well as audits of social and environmental reporting processes.

- **Global Reporting Initiative - Sustainability Reporting Guidelines**: The Global Reporting Initiative (GRI) is multi-stakeholder initiative, formed to develop globally applicable guidelines that can be used voluntarily by reporting organizations. The

Sustainability Guidelines on Economic, Environmental and Social Performance, launched in May 1999 and updated for re-release in June 2000, were designed to help companies report on the economic, environmental and social impact of their business operations. The guidelines acknowledge independent verification as a measure of providing assurance for reliability and completeness of sustainability reports. They also recognize the potential for verification to "enhance the quality of information within an organization and… the underlying management systems and processes." An annex to the guidelines outlines principles for verification and offers advice as to what may be expected from verifiers - such as contents for inclusion in the verification report. The guidelines suggest that principles and standards for verification of social reports need to allow for more diverse approaches than are used in traditional financial auditing, while maintaining fundamental audit concepts necessary to provide assurance and credibility.

- **AccountAbility 1000 (AA1000)**: AA1000, developed by the Institute of Social and Ethical Accountability and launched in November 1999, is a 'process standard' setting out principles and a method for social reporting that focus on the process rather than the content of the social report. Within the standard are guidelines addressing principles for the conduct of the social and ethical auditor. They also offer a framework for the audit process, covering the terms of engagement through to reporting the audit. These guidelines however, do not form part of the AA1000 standards and are not for the purpose of certifying a social report 'AA1000 compliant'. They are aimed to be a tool for companies and a framework that can be referenced by auditors, in order to describe to readers of the report, the audit process and principles that have been followed.

- **Social Accountability 8000 (SA8000)**: Social Accountability International (formerly Council on Economic Priorities Accreditation Agency) launched SA8000 in 1997, as a standard addressing labor and workplace conditions. It is also a system for independent verification of factories' compliance to the standard. The SA8000 system is modeled on the International Standards Organization (ISO) standard, ISO 9000, used by companies to ensure quality control and to demonstrate the quality of business systems and operations to customers. SA8000 builds on ISO auditing techniques: specifying corrective and preventive actions; encouraging continuous improvement; and focusing on management systems and documentation proving these systems' effectiveness. SAI accredits firms - usually known as certification bodies - to be external auditors, certifying manufacturing facilities for conformance to SA8000. While SA8000 uses independent auditors to certify companies as compliant with the standard, this certification and audit relates to companies' actual performance in regard to labor conditions, rather than the public reporting of their performance. It is included here however, as a significant contributor to the development of 'auditable' social performance factors.

- **International Standards Organization**: The International Standards Organization (ISO) has produced a number of auditable standards and accreditation systems for reporting on corporate performance. In particular, it provides standards on environmental management systems (ISO 14000 series). ISO 14002 is a guide for environmental auditing and qualification criteria for environmental auditors. As yet, however, there are no ISO standards that specifically address social reporting and auditing.

- **International Audit Practices Committee (IAPC) International Standards on Auditing (ISAs)**: The Committee is part of the International Federation of Accountants, an organization of national professional accountancy organizations that represent qualified public accountants. Recognizing the differences in national auditing standards, the IAPC has developed International Standards on Auditing that can be applied to the practice of financial audit internationally. However, they contain standards and principles that can be applied and adapted to the audit of non-financial information.

- **Coalition of Environmentally Responsible Economies (CERES)**: The CERES Report is a standardized format for corporate environmental reporting developed through collaboration by companies, institutional investors and environmental organizations. The CERES Report establishes the environmental performance data that should be disclosed, suggests methods of measurement, and thereby helps companies to track their environmental performance in quantifiable ways. Participating companies receive feedback on their reports, and the reports undergo a joint pre-publication review to ensure clarity and conformity to the standard.

The idea that business has stakeholders other than shareholders is not new, at least in the western advanced economies. Large auditing firms like KPMG and PricewaterHouse Coopers continue to receive assignments to audit "Tripple Bottomlines"- The financial bottomline, environmental bottomlines and ethical/social bottomlines.

III Methodology

The present study is based on data / information collected from large sized Indian companies, more specifically from those companies that were included in the National Stock Exchange's broad based index - S&P CNX NIFTY, during January 2003. This represents fifty companies, with issued capital of Rs. 96,108 million and market capitalisation of Rs. 3,024,720 million.

A structured questionnaire was sent to all the companies through post, with a communication from the researcher and the Centre for Corporate Research & Training, explaining the background and objectives for undertaking the study.

Despite close, rigorous follow-up, spread across two months, through e-mail, letters, telephone calls and even personal visits, response was received from only 19 companies. Two of the companies responded by saying the information was confidential and regretted their inability to share it with us. This was despite our assurance in writing that data would be consolidated and companies' names would not be revealed. Data for an additional 11 companies was culled out from other published sources as detailed in section on the main findings of the study later. Analysis in section V, therefore, is for 30 companies, which represents 60 % of the total sample selected for the study.

Five case studies have been documented in section VI. These are an outcome of personal interviews with concerned officers / departments of the companies. The purpose of the documentation is to bring out the similarities and differences of social responsibility initiatives, their decision making process, implementation modes and review mechanisms.

The review of literature as also the section on Indian experience, is an attempt to put the entire gamut of discussions, developments on the CSR front in a perspective against which our own data is analysed and interpreted.

IV Indian Experience

There has been very little systematic documentation of Social Responsibility initiatives of corporates in India in the past, other than the brochures and publicity material brought out by the companies themselves. But in the last 3-4 years, 2 important surveys have been conducted, which have some significant macro level conclusions about India Incorporated and their journey on the social responsibility front.

A survey was conducted by Business Community Foundation for TERI-Europe during the year 2001-02. This was a follow-up of an earlier opinion poll conducted by the same foundation during 2000-01. The preliminary conclusions of the earlier poll had noted that high expectations from companies are not yet matched by judgments about corporate responsibility. More trust is placed in the media and NGOs than in business. Multi National Corporations are being viewed with suspicion. Gender discrimination is a real issue in the workplace. Workers and management have sharply diverging perceptions of working conditions.

While the first poll sought to explore the perceptions of workers, company executives and the general public about social, economic and environmental responsibilities of companies in India; the second poll was structured to facilitate documentation of corporate responsibility practices from the perspective of the three stakeholder groups - companies, Non-Government Organisations (NGOs) and trade unions.

Serious and committed approach to corporate responsibility practices is increasing its reach, but there is a vast ground yet to be covered. Corporate sector is slowly realising the positive aspects of corporate responsibility practices (good for business is good business). There is growing collaborative work between NGOs and companies. All stakeholders are increasingly becoming aware of the diverse facets of corporate responsibility practices. Due various internal and external pressures, the climate is conducive for the growth of corporate responsibility practices in India.

Although many companies, NGOs and trade unions were aware of corporate responsibility practices, the study findings suggest that the concepts has yet to become part of core business strategy in most companies in India. Almost all companies, irrespective of size and sector had some awareness of corporate responsibility and its potential benefits. While most companies also had policies in place related to labour issues, community relations and environmental practices, they were for the most part not backed up by comprehensive implementation and monitoring systems. Community programmes or social development initiatives, in most cases, were philanthropic and/or ad hoc in nature and not integrated into core business activities such as marketing and brand management.

Most companies have labour and environmental policy guidelines in place. This is not surprising given that Indian State Law require that companies meet minimum standards. Policies on working conditions include minimum wage requirements, health and safety, equal opportunities, non-employment of child labour, and employee welfare in general. In the area of environmental policy, most companies, especially those industries with a direct impact on the natural environment - extractive industries, chemical, manufacturing industries - have policies and management systems in place. However, there is a wide discrepancy between the perceptions of workers and management about company compliance with labour regulations.

Monitoring and reporting on social and environmental issues is found to be limited. Whereas environmental assessments and audits are undertaken in some cases, there is almost no evidence of social audits taking place.

The survey observes that there are visible differences by company sector and size. Bigger company, with numerous employees and a large turnover, have more corporate responsibility practices and guidelines in place. However, these tend to be more philanthropic in nature than strategic. There are also some differences with respect to sectors, with the IT industry appearing to have an edge over other.

A second survey was jointly conducted by Confederation of Indian Industry (CII), United Nations Development Programme (UNDP), British Council (BC) and PriceWaterCoopers(PWC). Labeled as the most ambitious attempt to capture the entire gamut of issue pertaining to Corporate Social Responsibility (CSR) in India, the survey was carried out in September - October 2002.

The only limitation of the survey was that of the 1,000 companies - small, medium and large - that were sent the questionnaire, only 102 companies responded. Those companies, that see themselves as leaders or early movers appears to represent a high portion of the respondents, says the survey report. The most striking features of the responses to the survey is that the respondents are in near unanimity that CSR is very much a part of the domain of corporate action and the passive philanthropy is no longer sufficient. A significant proportion of respondents, recognise CSR as the mean to enhance long-term stake holder value.

Good corporate citizenship and CSR Initiatives are inextricably linked with improved brand reputation. The second most important aspect of CSR, accordingly to the survey report, is that it provides an opportunity to improve relationships with local communities.

According to one of the respondents of the survey, the principal drivers for CSR besides the value system of the promoters are –

- The 'feel good factor' about the company, which is increasingly instrumental in retention of talented professionals.

- Distinct customer preferences for companies with a social conscience.

- The increasing expectation of shareholders that their companies be sensitive to the needs of society.

The most important barrier for adoption of CSR on a wider scale is the lack of the linkage between CSR and financial success. Since no direct relationship is evident, companies find it difficult to access how much to invest in CSR.

The survey also showed that most companies do not have a systematic approach to CSR implementation and they do not a priori commit resources for CSR. Another factor hindering adoption for CSR on a wider scale is lack of comprehension and capacity to implement CSR.

The survey concluded that an overall vision of stakeholder approach to CSR is now firmly in place, but the transition from the present compliance driven approach to the new attitude will need an enabling environment and support measure.

Because of the paucity of data and deliberations in the Indian context, the first International Conference on 'Business-Social Partnership: Beyond Philanthropy' at the Indian Institute of Management (IIM) - Calcutta, assumes special significance. The four day conference (December 4-7, 2002) at IIM-C has brought together the policy makers, corporate heads, trade union leaders, social workers and academicians on a forum to analyse the organisational practices that govern business today. The focus of the conference was to understand the global partnership process between business, government and NGOs.

Certain segments of Society have experienced hardship and increasing impoverishment. Several sectors of economy are facing decline or have become extinct. Government alone can no longer tackle the massive task of development, poverty alleviation and environmental improvement. Here comes the role of alliances between different segments of society. Dr. Ritu Kumar of TERI of UK deliberated upon different aspects of Corporate Social Responsibility in the context of different approaches and countries. She highlighted four approaches to Corporate Social Responsibility - philanthropic, statist, liberal and stakeholders. Dr. Irene Pollach from Austria differentiated two different approaches to Corporate Social Responsibility. The first approach is that of corporate taking CSR as self-serving interest and in the second approach, she highlighted as altruistic approach. In the first approach, the corporates look at their self interest in term of what they will get in return for what they are giving for society. Whereas in second approach, the corporates do not expect any return from social responsibility they undertake and they remain invisible in the sense that they don’t claim anything in return.

V Main Findings of the Study

A structured questionnaire, specially designed for the study, was sent to all the fifty companies included in the NSE NIFTY Index. The questionnaire is available at Annexure I. List of 50 companies to whom the questionnaire was sent as well as the list of companies responding is available at Annexure II & Annexure III.

It is appropriate to mention here that despite rigorous, consistent and close follow up with the companies through courier, telephone, e-mail and at times through personal visits, the response to the questionnaire has not been encouraging at all. Out of the 50 companies, only 19 companies have responded to the questionnaire. To make the sample more representative, we have been able to extract some / most of the information pertaining to the subject for an additional 11 companies from a) the published annual reports, b) director’s reports, c) brochures published by the companies from time to time and d) other articles etc published about the CSR initiatives of these companies in reputed journal and financial dailies and weeklies. Thus, the total number of companies for which the data is available is 30, which is 60 % of the companies selected for the analysis. Considering the response to some of the earlier attempts made to document / study the area, by Chambers of Commerce, along with some multilateral agencies, the response may be considered reasonable.

The following table gives the sector wise composition of the NIFTY companies and similar analysis for the responding companies:

Sector	Composition of	
	All NIFTY Cos	Responding Cos @
Private Sector Indian Cos	72 %	89.5 %
Multi National Cos	12 %	3. 5 %
Public Sector Cos	16 %	7 %
Total	100 %	100 %

@ Refers to only those companies that responded to the questionnaire.

The following are some general observations on the responding companies, which may be useful to keep in view while analysing the response:

a) None of the computer software / hardware companies have responded to the questionnaire, with just one exception.

b) Only two public sector undertaking have responded to our questionnaire. This is despite the well-known fact that many of them are active in the social responsibility areas.

c) Out of the seven Tata Group companies included in the NIFTY list, as many as five have responded.

d) Responses have come from different departments and offices within the companies, like the Office of the Company Secretary, Human Resource Department, and Department of Corporate Communications and in couple of cases from Ethics Counselors and specially created Department for Social Initiatives.

The important findings of the study are discussed in the following paragraphs:

I) About 57 % of companies in the sample have a formally adopted ethics code. The nomenclature for these codes varies from company to company: Some companies call it 'Code of Conduct', others 'Core Statement of Values' and still others by some other name. All these companies are treated, for the purpose of our analysis as having an Ethics Code. One third of the companies do not have a formally adopted code, while for 10 % of the companies the information is not available.

About the process through which the code has been evolved, most companies have chosen to remain silent. Few companies have offered the following information and comments:

- Historically evolved
- Before adoption discussed among senior management and board of directors
- Before adoption discussed with present as well as past employees
- Studied & attempted to incorporate international standards and best practices
- Democratically evolved

Just one third of the companies have an Ethics Officer or an Ethics Counselor. Another 40 % of the companies do not a specifically designated officer, but many of these companies have indicated that other departments and or offices look after this function. 27 % of the companies have not given any information.

Table 5.1

	Cos having one		Cos not having one		Information NA	
	Number	%	Number	%	Number	%
Formal Ethics Code	17	57	10	33	3	10
Ethics Officer / Ethics Counselor	10	33	12	40	8	27

II) As far as the areas of interventions or content of the social responsibility initiatives is concerned, these have been classified into seven major areas as listed in Table 5.2. Most companies are active in more than one area and therefore, the total does not add up to 100 per cent, but is more than that.

Areas in which large proportions of the sample companies are active are Education & training (80 %), Healthcare (66 %), Environment (60 %), Welfare of under privileged sections of the society (57 %) and Rural development (23 %).

There are two surprising results, which emerge out of the above analysis –

Firstly, non of the companies have said that they are doing anything actively in the area of religion and spiritual development. While it is well known that a number of companies, some of them belonging to some particular industrial groups, are doing a lot in this area. One probable reason for this could be that these activities are being undertaken by trusts formed specifically for the purpose, though under the umbrella of the group.

Second, surprising finding is that less than half (more specifically only 46 %) of the companies in the sample have mentioned natural & other calamities as part of the area in which they are active. One would have probably expected all companies to be doing their bit in this area.

Table 5.2

Sr. No	Area of CSR Interventions	Number of Cos	Percentage of Cos @
1.	Education / Training	24	80
2.	Health Care	20	66
3.	Environment	18	60
4.	Religious / Spiritual	Nil	Nil
5.	Welfare of Under privileged Sections	17	57
6.	Rural Development	7	23
7.	Natural & Other Calamities	14	46
8.	Any Other	12	40

@ Percentages do not add up to 100 per cent as most of the companies are active in more than one area.

Some of the interventions, which could not be classified into any of the seven specific categories and therefore fall under 'any other' are as follows:

1) Promotion of art and culture
2) Empowerment of women
3) Conservation of national heritage
4) Income generation
5) Development of urban parks, traffic islands etc
6) Promotion of sports
7) National integration
8) Family planning

III) About 30 % of the companies have mentioned the expenditure incurred on the CSR initiatives during the last three financial years as a percentage of sales / turnover or as a percentage of profit. 40 % of the companies have said that there is no monetary limit set by the company and expenditure is incurred depending on the exigencies of the situation and on a case to case basis. Another 30 % of the sample companies have refused to discuss the matter and share information in this area.

Many of the companies that have mentioned that they would not like to share the information about expenditure incurred are multi national companies. For the companies who have given the information relating to actual or authorised expenditure, it has varied from 1 % of net profits to 12 % of profits after tax (PAT). Of the companies sharing the information, two are Tata group companies, two are large cement manufacturing companies and one is a large professionally managed housing finance company.

Table 5.3 Average Expenditure on CSR

Classification of responses	Average expenditure incurred in the last 3 years	
	Number of Cos	Percentage of Cos
As % of profits / turnover	9	30
Ad hoc	12	40
Information N. A.	9	30
Total	30	100

IV) As far as the decision making process is concerned, the questionnaire had two sets of questions. The first one was whether the company only responds to requests or has a focussed set of areas where it proactively intervenes. About half of the companies studied have said they respond to requests and 73 percent companies have said they proactively intervene in select areas. There is clearly an overlap here. Some of the companies have been doing both on a case to case basis. Three companies have mentioned that they encourage employees to get associated with social projects and take requests for assistance from organisations, which the employees feel, are doing good work.

The second set of question pertains to the query whether decision making relating to CSR issues has been institutionalised or not. About 37 % of the companies have said that decision making is through a committee specially constituted for the purpose or by the management committee. This 37 % of the companies also include those companies, which are undertaking CSR through trusts and the Board of Trustees are the decision-makers. Another 30 % of the companies have said that the Board of Directors have authorised either their CMDs or CEOs to incur expenditure in connection with CSR, sometimes with a monetary cap in absolute terms or as a percentage of company's profits. Included among this 30 % are three companies with a wide branch / plant network. These companies have authorised their local / regional chiefs to incur some monetary expenditure, in select areas. A large housing finance company has a formalised appraisal process (as in the case of other projects that receive assistance) for funding CSR interventions.

Table 5.4 Process of Decision Making

	Number of Cos	Percentage of Cos
a) Only Responding to Requests	15	50
b) Proactively deciding areas of interventions	22	73
➢ Decision making thru' committee	11	37
➢ Authorizing CMD / CEO	9	30
➢ Information N. A.	10	33

V) As far as implementation strategies for CSR initiatives are concerned, we had identified four distinct strategies, which are tabulated below in Table 5.5. Many companies have adopted more than one strategy and therefore the total percentage adds up to more than 100 percent. The first option, it seems has not been understood well by the respondents. Many respondents have ticked 'Only monetary contributions' along with other options, negating their own answer.

As many as 73 % of the sample companies have said that they have collaborated with voluntary agencies and NGOs for their CSR interventions. These also include those companies that have collaborated with government and semi government agencies. The next in popularity is 'monetary contributions' (57 % of companies) followed by 'thru' an in-house department' (27 % of companies). Just four companies accounting for 13 % of the sample have involved their employees in the effort for their CSR activities. Two of these four companies are from the Tata group.

If the employees are to be involved, whether it should be on a voluntary basis or compulsory basis was an issue raised by many respondents. How these efforts should be incorporated in the performance appraisal of the employee was another issue raised by some of the respondents. Many respondents have said that making employee involvement compulsory would negate the whole purpose.

Table 5.5 Implementation Strategies

Sr. No.	Strategy Chosen	Number of Cos	% of Cos
1)	Only Monetary contributions	17	57
2)	Thru' an in-house department	8	27
3)	Collaborating with Voluntary agencies / NGOs / Govt / Semi govt organisation	22	73
4)	Involving number of employees	4	13
5)	A combination of the above	19	63

VI) In the context of review of the work being done by the corporates in CSR area, its impact assessment on the intended target group, most of the sample companies have mentioned that they do undertake review of the above activities. As many as 73 percent of the companies have mentioned that they review these activities. Of these 73 %, 33 % review it only at the end of the project or when the scheme is completed. Another 20 % undertake mid-term reviews and balance 10 % have quarterly or periodic reviews. Also included in these 73 %, are those companies responding in the positive, but saying these are only informal reviews.

About 53 % of the companies do attempt to assess the impact of their CSR interventions on the intended target groups. Most of the companies do it in-house, but about 17 % of the companies have mentioned that they get these impact assessment studies done by professional consultants.

Most companies that do the reviews and get the impact assessment work done by outside consultants have said that they very definitely use this for future decision making. About 20 % of the companies have said that since they do not study impact of the CSR activities, the question of using this information does not arise.

Table 5.6 Review & Impact Assessment

Sr. No.		Yes		No		Information N. A.	
		No	%	No.	%	No.	%
1)	Review of CSR	22	73	3	10	5	17
	➢ Quarterly / Periodic	3	10				
	➢ Mid-term	6	20				
	➢ End of project / scheme	10	33				
2)	Impact Assessment on target groups	16	53	5	17	9	30
3)	Information obtained at 1) & 2) above used for future decisions	15	50	6	20	9	30

In the following section, we have documented five case studies, which bring out the different styles that companies have adopted and their effectiveness in the given context.

VI Documentation of Case Studies

In the sixth section, we have attempted to document five case studies, two of these are financial institutions, one is a large cement manufacturing company and two are vehicles manufacturing companies. The choice of companies was largely dictated by availability of information and the willingness of the companies to co-operate in terms of providing information / data as also granting personal interviews.

Most of the companies that have co-operated in our effort for documentation have expressed the desire that the company's name should not be directly mentioned while documenting the case. In difference to the wishes / request from the companies we have not mentioned the names of companies. The documentation tries to highlight the strategies adopted while undertaking social responsibility initiatives. As each case has different points to be highlighted and specific areas as learnings for the broader implementation and impact, the structure for each of the case study is also not the same.

1) A Large, Progressive Financial Institution / Company:

As an important player in the Indian economy, the Bank believes that its role should extend beyond the commercial sector to include the social sector as well. It, therefore, aims to participate in the all-round development of the country by focussing on some of its fundamental needs. The Bank seeks to perform this role primarily as a funding agency, through a dedicated not-for-profit group, the Social Initiatives Group (SIG).

The changed economic climate in India, with a greater emphasis on the market, requires an informed and participatory socio-economic order. As a large participant in the financial system, it lies in the longer-term interests of the Bank to actively contribute in bringing the above to fruition. In the current environment, the Social Initiatives Group (SIG) feels that its purpose would be served best by focussing exclusively on improving the capacities of India's poorest people to participate in socio-economic processes.

The mission statement of the SIG is "to identify and support initiatives designed to improve the capabilities of the poorest of the poor to participate in the larger economy". The group seeks to achieve its mission by supporting initiatives that are -

- Cost effective,
- Measurable,
- Capable of large-scale replication and
- Have the potential for both near and long-term impact.

For the poorest of the poor to be able to participate in the larger economy, the SIG feels they must be equipped with certain fundamental capacities. These capacities are in health, education and money. However, give the broad scope of these areas, in order to have a definitive impact, it was felt that SIG should focus on much sharply defined areas for work, within these broad areas. The three focus areas that SIG has chosen are:

Health: Infant Health at Birth

(Maximizing the proportion of infants born healthy)

This focus seems to have the potential for maximum long and short-term impact and appears achievable in the most cost effective and therefore scaleable manner. The Infant Mortality Rate (IMR) is measured as the number of deaths per 1000 live births within the first year of birth and provides the best available indicator for gauging progress. The target for the SIG is to work to ensure a steady and significant decline in this rate at a national level, while seeking to reach a goal of 30 per thousand by 2010.

Education: Elementary Education

(Maximizing the number of 14 year olds who have a basic level of elementary education)

Education (and not just literacy) up to the elementary level seems to be almost a necessary condition for any individual (rich or poor) to be able to participate in any manner in the larger economy - whether at the local farm or in an industrial job. Here the goal of SIG is to work towards the universalisation of elementary education all across India by 2010; rural and urban. An appropriate indicator that comprehensively captures learning in a standardized manner nationally is not available. Until it is available, the drop out rate and its reduction will serve as an indicator.

Money: Micro-financial Services

(Maximizing access to basic financial services)

These services would include basic banking (savings and cash management), financial (debate and equity), insurance (life and health) and derivatives. The goal here is to facilitate universal access to these four services by the year 2010.

<u>Overall Strategy:</u>

At a very basic level, the programmes and projects supported by the SIG must cater to the poorest. They must enable them to become active and informed participants in socio-economic processes as opposed to passive observers. These initiatives should, above all, be output oriented, with a focus on producing measurable outcomes that meet a minimum quality requirement. The initiatives need to be cost-effective. This is in recognition of the fact that resources are limited and their efficient use is imperative if the maximum number is to benefit.

The initiatives must be scaleable. Scalability implies the ability to draw upon important elements of a programme and adapt them to suit the needs of specific situation. It should be possible to do so at a national level. Even if the programme itself is not directly scaleable, it should be possible to take away significant lessons from it in order to enrich work in other settings.

All supported initiatives must have the potential for both near and long-term impact. As a consequence, it is important that the impact of this programmes, in the near and long term, be carefully measured, understood and analyzed in a rigorous manner and not through anecdotes. It is critical to clearly understand how an initiative is performing in terms of its predetermined goals and in comparison to alternatives. There is little doubt that a complex of factors, very often beyond the control of the programme and / or the organization, will influence the outcome. Yet, serious and regular impact measurement and analysis can only make the programme richer and is essential. The SIG assigns greater value to programmes and organizations that carefully examine the short-term and long-term implications of their actions.

In pursuit of its goals in the three focus areas, the SIG tends to support reasonably large-sized initiatives so that issues such as cost-effectiveness, scaleability and impact assessment can be dealt with more directly. These initiatives not only have the potential to provide key research inputs to other programmes, but also tend to have a large impact that benefits the communities they work with. The approach of the SIG may thus be characterized more broadly as 'action research', to distinguish it from pure academic research. However, in its research work and impact assessment, the SIG seeks to adhere to the highest standards of academic rigour.

It has often worked in partnership with academic institutions such as

Institute of Rural Management, Anand,
KEM Hospital Mumbai,
Massachusetts Institute of Technology,
Tata Institute of Social Sciences, Mumbai,
University of California, Berkeley and
University of Southampton

It is crucial that the programmes supported by SIG be time-bound. This lends clarity to the aim of the programme and prevents its intent from getting diluted over time.

The SIG works by identifying gaps in knowledge and practice in its focus areas and locating initiatives that address these gaps in a manner consistent with the SIG's mission. The identification of research needs is followed by an in-depth analysis of the short -term and long-term implications of various forms of action. Among other things, this requires taking a comprehensive overview of work already done in the country and outside. The SIG thus, seeks to answer certain fundamental questions in its focus areas through the projects it support and thereby, contribute to findings that help the sector. It should be pointed out that the SIG does not function as a rollout agency.

An important feature of the SIG's strategy is the belief in strengthening or supplementing already existing systems rather than investing in parallel structures. Another key element of its strategy is the building of long-term relationship with suitable partners. As part of this effort, the SIG works to improve the efficiently of these partners and ensure sustained impact.

In pursuit of its goals, the SIG seeks to work actively with research agencies, Non-Governmental Organisations (NGOs), corporates, government departments, local stakeholders and international organizations. It should also be noted that the group believes modern technologies, particularly Information and Communication Technologies (ICT) can prove to be important facilitators if used appropriately.

In addition to units core areas of focus, the SIG, in a limited manner, supports some other initiatives:

- Corporate Social Responsibility (CSR): promoting the concept of CSR among Indian companies so that more partnerships emerge in pursuit of common goals.
- NGO Capacity Building: This is supported through the GIVE (Giving Impetus to Voluntary Effort) Foundation and a specially created web site for the purpose. The web site seeks to provide a verity of services to NGOs listed on this site including facilitating the receipt of donations online (Give Online), sale of NGO products (Shop Online), volunteering of time and skills (Volunteer Online) and news (News Online).
- Modernization of the Indian Financial System: This involves encouraging appropriate research and institution building efforts on a national basis. Another web site, is a virtual non-profit research centre that acts as a platform to address and encourage debate, and develop a non-partisan opinion on various issues of concern and interest ion financial economies relating to emerging markets. The Bank has supported the development of various financial institutions such as the national Stock Exchange and the Bombay Stock Exchange. It has also supported the Institute for Financial Management and Research, Chennai.

The important features of the CSR intervention by company are –

a) A well thought through strategy, taking into account the historical evolution of the company and its strengths in raising resources
b) Well defined focussed areas, with long term impact
c) Centralised operations only at the Corporate office
d) Information and communication technologies being used as facilitators

2) India's Largest Bank with Wide Branch Network

Community Services Banking is one of the instruments through which the bank plays the role of a responsible and responsive corporate citizen. It represents the Bank's commitment to the society, to serve even those who are not appearing on the radar screen called the 'market or sub market economy'. It is obvious that this is liable to change from time to time according to changes taking place in social and economic conditions of the people the bank serves. The concept of "Community Service Banking" (earlier known as Innovative Banking) was first introduced by the Bank in 1973 with a view to assisting the identified target group belonging to the weaker and downtrodden sections of the society both under its Banking and Non-banking activities.

Community Service Banking

The Bank was among the first to accept, as part of its corporate philosophy, that human and financial resources at their command should be mobilized in discharging the social role. The two dimensions of their social role are -

A) The Bank as a corporate citizen, with resources at its command and the benefits it derives from operating in the society in general, owes a solemn duty to the less fortunate and under-privileged members of the same society.

B) Another dimension is the contribution the staff members are expected to make by understanding the urges and aspirations of the public around them and by trying to work out measures for removing in an apolitical fashion, indisputable social and developmental lacunae.

The bank undertakes both fund-based and non-fund based activities, which have been presented in the following chart:

Range of CSB Activities

Fund Based

Non-Fund Based

- Blood Donation Camps
- Medical Check-up Camps
- Drug Banks
- Family Planning Camps
- Veterinary Camps
- Adult Literacy Classes
- Special Programme for Women & Children
- Tree Plantation Programme
- Environment protection/ Pollution Control
- Promotion of Sports/Culture
- Awareness about Aids / Cancer / T.B. / Drug Addiction
- Vocation Guidance / EDP

Fund based & Banking Activities

Donations

R&D Fund (Research **Grants)**

SBI Children's Welfare Fund

Loaning

Grants

National

Normal

Loans to weaker sections such as women, physically handicapped, slum dwellers, ex – defense persons, prisoners, victims of natural calamities, etc.

Loans under 20-Point prog.

Loans to Minorities under 15-Point prog.

The bank reviews its initiatives on a regular basis and detailed periodical returns to be submitted to Corporate Centre have been specified. These include –

I) Quarterly returns for donation sanctioned under CGM's discretionary powers

Half-yearly utilization certificate of donations sanctioned

Half-yearly review of R & D Fund assistance

Half yearly review of 15 point programme on welfare to minority communities

Yearly reporting & review of advances under 20 point programme

Half yearly review of CSB activities

Submission of statement of account and other annual certificates in respect of children welfare fund.

In respect of donations the bank has a decentralised structure and detailed written guidelines are available in the following areas:

Ceiling:

The bank has fixed a ceiling for the donations, which is up to 1 % of the previous year's published profits. This is inclusive of earlier exempted categories.

National Donations:

Granted to Government sponsored National Funds such as CMs' Relief Funds, PM's National Relief Fund, etc. For Relief / Rehabilitation during natural calamities. 50 % of donation ceiling can be utilized for national donations.

Normal Donations

Granted to voluntary organizations / NGOs / charitable institutions, etc. for acquiring equipment's for implementing socially-oriented projects. 50% of total donation ceiling can be utilized for normal donations. Eligibility criteria include –

a) Well established institutions, with proven track record
b) Individuals not eligible
c) Registered society or trust
d) Donation to be exempt from Income tax

Quantum of Donations

I) Maximum ceiling for individual donation is 2 % of the normal donations ceiling for the Bank in a year.

II) In case of multi-branch organisations, 5 % of the normal donation ceiling for the Bank in a year.

Purpose

Normal donations should usually be considered for acquiring equipment by the Institutions for undertaking socially oriented projects for long term impact for sustained growth / welfare, preferably for the benefit of under-privileged / weaker sections of the society, such as

I) Women empowerment
II) Children development
III) Welfare and rehabilitation of poor/handicapped persons
IV) Environment protection
V) Health
VI) Education
VII) E.D.P.

Authority Structure for Sanction of Donations

(Subject to ceiling of Rs. 1 Lac in a year)

Up to Rs. 20,000/-	: Circle Chief General Manager
Rs.20, 001/- up to Rs.50, 000/-	: Managing Director & GE (Non Banking)
Above Rs. 50,000/-	: ECCB

Children's Welfare Fund (Trust)

Established in 1983, with contributions by the Bank & staff to extend grants to various institutions engaged in the welfare of underprivileged & downtrodden children like orphans, destitute handicapped etc.

- The beneficiaries should be really needy children. The Projects to be funded for their medical relief, promotion & encouragement of training in handicrafts, cottage industries as well as for children welfare centers.
- Quantum of grants should not be too big (As in case of donations) As these grants are disbursed out of interest earned on the 'Corpus Fund' of the trust
- The proper end-use of the grant must be ensured and grant must be utilised within the same year in which sanction was accorded.

Research & Development Fund (Established In 1977)

Under this fund research grants are extended to universities and reputed academic & research institutions for undertaking research projects which are of direct relevance to the Bank / Banking Industry or which relate to the emerging scenario in banking industry / economy.

Research Grants should be considered only to Universities or highly reputed academic institutions - Chairs can be considered only in exceptional cases. - The Research Projects/ Studies should be utilised properly by user department -

Social Policy group Meeting

Social Policy Groups (SPGs) were constituted by the Bank at all Local Head Offices and Modules to provide continued thrust to the community services banking activities through periodic meeting and discussions. The main objective of the SPGs are to review the CSB activities in the Circles / modules.

Exchanging / developing innovative ideas, devising ways for their effective implementation and giving the much needed impetus to CSB activities at various levels in the Bank. Accordingly, it has been stipulated that these meetings should not only review the activities already undertaken but also work towards generating a climate conducive to enhancing the scope and coverage by undertaking more innovative activities.

Discretionary Powers:

Expenditure on public relations & Community Services Banking: Since this department is placed under the Circle CGM directly, the authority to incur expenditure that is intrinsic to the role and functions of the department like advertisment, publicity, public relations is vested only in the Chief General Manager.

The important features of the CSR intervention by company are –

a) **Both fund (banking as also others) and non-fund based activities being undertaken**
b) **Monetary ceilings laid down at the board level**
c) **Large programmes for under-privileged sections of the society as part of government announced schemes**
d) **De-centralized operations with detailed authorisations, reporting and review mechanisms**
e) **Active in too many areas**

3) Large, Multi Location Cement Manufacture

The company was formed in 1936, with a historic merger in 1936 of eleven Indian cement companies belonging to four rival groups. This was long before the term 'mergers and acquisition' was even coined or became commonplace. In a sense, the formation of the company represents a quest for the synergy of good business practice, values and shared objectives. This unique merger laid the foundation for giving the company its rich blend of culture, tradition, and values, spanning different parts of the country.

It incorporates in its Mission Statement a para on

Responsibility Fulfill our obligations to society, specifically in the areas of integrated rural development and in safeguarding the environmental and natural ecological balance.

Most of the company's plants and mines are located in backward and remote tribal villages spread over eleven states of the country. Each plant is closely involved in the development of the rural areas around it as well as in fostering self-reliance to enrich the quality of life of the local community. The range of activities undertaken by the Company to improve the living conditions of the people in rural areas, around its factories begin with extending educational and medical facilities for the local populace and goes on to cover income-generation projects such as agriculture and animal husbandry development; employment oriented projects through rural and cottage industries by developing local skills, utilizing local raw material and in helping create marketing outlets for the end-products.

The company does not have a separate department or budget to undertake CSR activities. These are implemented by the local managements and employees of individual units which plan and allocate funds needed to maintain their own on-going programmes and to meet special and urgent needs.

Expenditure on environmental protection and conservation schemes are, however, part of company's regular planning and budgeting exercise. As such it is difficult to make a clear distinction of expenditure incurred in respect of CSR oriented activities but the company has endeavored to assemble the following chart based on information collated from different units.

(Rs. Crore)

Activity	Approximate Expenditure		
	2001-2002	2000-2001	1999-2000
Environmental Protection	3.70	33.30	4.91
Rural, Village & Community Welfare }			
Healthcare }			
Housing and Slum development }			
Sanitation and Drinking Water }			
Upliftment of Tribal & Backward classes }	612.17	3529.79	677.74
Literacy }			
Women's upliftment / empowerment }			
Assistance to handicapped }			
National Integration }			
Training and Vocational guidance}			
Disaster relief }			
Other schemes }			
Total	615.87	3563.09	682.65

Some of the CSR policies are integrated with the company's existing manuals and guidelines (such as the company's HR Manual). The company also has formal code for trading in its shares by its Directors and Employees. In addition, instructions and information in regards to dealings with their suppliers and customers and other stakeholders are given through circulars, letters, e-mails messages and communication meetings.

Likewise at each of the cement factories, certain officers are made responsible for overseeing the rural and community welfare development activities under the supervision of the unit head. Progress on this front is reported on a regular basis to the corporate office.

At corporate office, matters relating to CSR are dealt with at different levels. For example, all matters concerning employee welfare are dealt with by Human Resources Division. Likewise, matters pertaining to laying down of policies relating to our valued suppliers/customers are dealt with by

Materials Management/ Marketing Divisions. Matters relating to our esteemed shareholders are dealt with by share department & the Secretarial Division and other matters generally are dealt with by the Corporate Communication Division. The concerned departmental heads regularly report the developments on CSR activities relating to their area of work to the Whole time Directors to whom they report.

The Shareholders of the company have by a resolution determined the maximum limit up to which the company can make donations /contributions for charitable purposes not related to the business of the company. Any expenditure in excess of the above limits would require shareholders approval. Within the aforesaid limits the Board has delegated to the Managing Director the power to sanction donations subject to certain fixed limits up to which any individual donation can be sanctioned as also the maximum amount of donations that could be sanctioned in any financial year.

The aforesaid donations/contribution made for the charitable purposes is over and above the various CSR programmes / activities undertaken by the company. At each plant, the scope of CSR activities and the area of operations are clearly defined. The amount to be incurred on these activities is clearly allocated. These activities and expenditure are reviewed on a quarterly basis.

The criteria for selection of the activities, includes consideration such as

- Expenditure involved,
- Number of people covered or benefited,
- Time period,
- Availability of other resources
- whether other agencies or sponsors are also involved in the same activity
- Sustainability of the initiative and
- A critical examination of the relevance of the activity to the company's core stakeholders.

The key consideration is the welfare of the community that surrounds the immediate vicinity of the company's cement plants and are thus more dependent on the company. Priority is also given to measures that have long-standing benefits by way of income generation, self-reliance and employment opportunities.

Since most of the company's plants are located in backward and rural areas, the officials of the company act in close coordination with various levels of local administration such as Panchayat, Block Development Officers, Tehsildars and the District Collector.

Effectiveness of CSR programmes is taken care of while designing the programme itself. Feedback is also taken from the target groups to evaluate the effectiveness. The implementation of CSR programme and the feedback received therefrom provides a learning curve for future projects.

For example, in the aftermath of the earthquake that devastated Gujarat, the company realised that after tackling the immediate problems of rescue, providing first aid, food, clothing and temporary shelter, the next major task to repair / rebuild the houses in the affected areas. The company foresaw a scarcity of skilled masons and site supervisors, especially in rural and interior areas in the affected districts. No formal training course in the country was available for this trade. The company therefore provided free training for construction practices to unemployed rural youth in the quake affected districts and trained over 1500 persons in this area.

The important features of the CSR intervention by company are –

a) **Environmental protection and tribal welfare as two focused areas of activity**
b) **Well defined focussed areas, mainly geographical close areas, surrounding the plants**
c) **Completely de-centralised operations, with employees participation both in decision making and implementation**

4) A Leader in Automobiles -

The company professes to be a value driven organisation, with high ethical standards, reputation for integrity and transparency. The company, in line with its philosophy and thinking has incorporated amendments in the 'objects clause' of the Memorandum of Association (MoU) of the company so that activities on the social responsibility front can be carried out unhindered. At one of the annual general meeting of the company held early on in the history of the company a new clause 29(A) was added in the Memorandum of Association evidencing the increased awareness of the social obligations of the company as under:

> "To promote the objectives of the social and economic welfare and / or development of (or in) any part of India in such manner as the Directors may deem fit or proper and without prejudice to the generality of the forgoing to ameliorate the hardships and promote the welfare of the community in rural areas and slums and in urban and semi-urban areas by undertaking or assisting or contributing to any programme of social or economic welfare or development and / or by such other means and /or in such other manner as may be deemed necessary or proper."

There is no specific monetary limits as such, except those contained under the Companies Act, 1956. The company, primarily, gives donations to the charitable organizations / trusts, which in turn perform the activities aimed towards achieving social goals set out by the company in specified areas. Since the activities are generally carried out through the charitable trusts / bodies, the respective

Boards of Trustees of the trusts take the decision on the annual plan of activities, including the budget, in consultation with the beneficiaries, wherever felt necessary.

The Boards of Trustees of the respective trusts are generally doing selection of NGOs, the company chooses to work with. The Board of Directors of the company also decide on various donations / activities to be carried out in this front.

The company /group has promoted and /or supported a number of charitable trusts and bodies, through which many activities on the social responsibility front are carried out. Some of the important trusts and their activities are mentioned here in below:

1. A Gram Vikas Sanstha (Founded in 1987)

Mission Statement:

The Gram Vikas Sanstha, a registered society and trust, is a development organisation, whose aim is act as a catalyst and assist the participating rural community in the selected villages of Pune and Aurangabad Districts of Maharashtra to improve their quality of life.

Stress is laid on alleviating poverty of the under privileged, empowerment of women, gender justice and development of human and natural resources while promoting economical balance. While remaining strictly secular and apolitical, the organisation strives to motivate rural brethren to willingly and to enthusiastically undertake the development of the villages as visible models of excellence, for other village to follow. Integrated development of selected (24) villages in Pune and Aurangabad Districts conducting need-based activities, such as sanitation, watershed development, agriculture extension, housing, healthcare, women's empowerment, income generation, etc.

2. Samaj Seva Kendra,

   Close to the plant location carries out social welfare activities for the upliftment of the society.

3. Council for Fair Business Practices has instituted the "CFBP Jamnalal Bajaj Uchit Vyavahar Puraskar in 1988 and every year the award are given to Manufacturers, Traders and Associations who have made significant efforts in promoting fair business practices and high standards of integrity in business dealings, thereby helping to protect the interests of consumers.

Some of the large educational, medical and other institutions that have received support from the company in the last few years in a substantial way are as follows:

- SNDT Women’s University
- Gujarat Vidyapith

- Institute of Gandhian Studies
- Indian School of Business
- Indian Burns Research Society
- K. E. M. Hospital & Research Center
- Poona Medical Research Foundation
- Indian National Theatre

The important features of the CSR intervention by company are –

a) **A strong Gandhian influence in thought and practice**
b) **Most operations through Trusts specifically formed for charitable purposes by the Company**
c) **Focus areas are many including education, medical care, income generation,**

<u>5) A Vehicle Manufacturer from a Well Known Indian Industry Group</u> –

The Group's Core Values enshrine the philosophy of Corporate Social Responsibility and good corporate governance, which are discussed below. Further, the Company's Vision and Mission Statement as well as its Core Value Statement also enshrines the concept of corporate social responsibility.

The Vision Statement of the company –

To be a world class corporate constantly furthering the interest of all its stakeholders.

The Mission Statement has a section for Shareholders, Customers, Employees and the Community. For the community the mission of the company is

> "To proactively participate in reshaping the country's economic growth. And to take a holistic approach towards environmental protection."

The company's Core Values are -

- Integrity
- Customer focus
- Corporate citizenship
- Passion for Engineering

The Group to which the company belongs has always sought to be a value-driven organisation. These values continue to direct the group's growth and businesses. The five core values underpinning the way, the company and the group does business are:

Integrity - Must conduct our business fairly, with honesty and transparency. Everything the company does must stand the test of public scrutiny.

Understanding - Must be caring, show respect, compassion and humanity for colleagues and customers around the world and always work for the benefit of India.

Excellence - Must constantly strive to achieve the highest possible standards in day-to-day work and in the quality of the goods and services provided.

Unity - Must work cohesively with all colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.

Responsibility - Must continue to be responsible, sensitive to the countries, communities and environments in which it works, always ensuring that what comes from the people goes back to the people many times over.

The Group to which the company belongs has always been at the forefront in social responsibilities and has propagated that its employees conduct themselves in an ethical manner, true to the group name. The values and principles, which have governed the manner in which the Group of Companies and its employees have conducted themselves had never been articulated. It was therefore, considered worthwhile to prepare a clearly defined document, which could serve as a guide to each employee on the values, ethics and business principles expected of him or her.

The famous Code of Conduct to which the group subscribes covers the following key areas -

- National Interest
- Financial Reporting and Records
- Competition
- Equal Opportunities Employer
- Gifts and donations

- Government Agencies
- Political Alignment
- Health, Safety and Environment
- Quality of Products and Services
- Corporate Citizenship
- Co-operation of other group Companies
- Public Representation of the Company and the Group
- Third Party Representation
- Use of the group Brand
- Group Policies
- Shareholders
- Ethical Conduct
- Regulatory Compliance
- Concurrent Employment
- Securities Transactions and Confidential Information
- Protecting Company Assets
- Citizenship
- Integrity of Data Furnished
- Reporting Concerns

The company has a separate department at each of the plant locations that are responsible for Community Development activities. These Departments draw up annual activity plans and submit their budgets. The Company has been at the forefront of social activities for over two decades. The scope of activities was decided in Pune according to the geographical placement of the project area, whereas the social activities at Jamshedpur and Lucknow are need-based.

Social Sanction in respect to decisions on undertaking proactive actions are done through assessing community needs by deployment of tools like PRA (Participatory Rural Appraisal) and survey. Also Media Reports, Scope of Government Schemes & Collaboration with partners like and expectations of the top management of the company are taken in to consideration

As mentioned above, project-based reviews both, mid-term and upon completion, are undertaken using scientific tools and methodologies. All important social issues are reviewed before planning yearly targets and action plan is decided for the issues finalized for intervention. Even though there is no standard mechanism for review, the issues are reviewed at every step once implementation is initiated. The action plan is decided during mutual interaction and responsibilities of organization and community. People involved are motivated to utilize their available resources so that a sense of ownership is developed amongst the community and then the program becomes sustainable because of their participation.

Further, CSR activities and initiatives form a part of divisional / plant Balanced Score Card (BSC). The review is conducted before planning yearly targets and the action plan is decided for the issues finalised for intervention. As mentioned above, project-based reviews both, mid-term and upon completion, are carried out on compilation and mid-term. The Community Initiative Index (CII) is used to assessing the impact of community development initiatives.

The important features of the CSR intervention by company are –

a) **A well thought through strategy, taking into account the group's focus on ethics in various areas of business activity**
b) **Decentralised operations with need based interventions at each of the plants / offices**
c) **Scientific review and impact assessment of CSR projects**

VII Concluding Observations & Learnings

Discussion about the role and responsibilities of a corporate entity in a society is not new.
The idea, that business has an obligation to society that extends beyond its obligations to its owner or shareholders, has been discussed in the economic and management literature for a long time. The term being used more recently for the debate is "Corporate Social Responsibility" or "Corporate Citizenship"

One commonly accepted definition of CSR is "Corporate Social Responsibility is operating business in a manner which meets or excels the ethical, legal, commercial and public expectations that society has from business".

The debate whether business should be managed in the interests of shareholders and owners or the widely defined "Stakeholders" is an ongoing one - with strong proponents and argument on both the sides. In this context, it is felt that the moot point is the time frame and sustainability of the enterprise will be crucial, if one takes a long-term view. Interest of different stakeholders may be conflicting in the short-run, but in the long-run they are likely to align. In the words of Mink, "Any company with a short term in view, only maximizing profits for the shareholders, will destroy value in the medium to long-term."

The four major factors, which are catapulting the CSR issue in the forefront and encouraging and demanding the corporates to expand their efforts in these areas are as follows:

a) Large size of the modern days corporations.

b) Rolling back of the State -both on account of liberalisation and shrinking of resources with the Governments -
c) A growing number of companies recognising the business benefits of CSR interventions.
d) Increasing pressures from customers, suppliers, employees, communities, investors and other activist organisations representing stakeholders.

Among the four theoretical views on CSR (Milton Friedman, Andrew Carnegie, Keith Davis & Tom Cannon) the researcher tends to concur with Cannon's views. i.e. Business creates wealth, produces goods and services, creates employment and generates income. Society provides a means of exchange, legal and banking systems, trained manpower and social infrastructure like roads, schools, hospitals etc. In addition to the above, with the advent of the joint stock company as a form of organisation society has granted to business two very special rights, the first is potential immortality i.e. the concept of going concern and the second is limited liability. Thus, business does have social responsibility to fulfill.

A large and increasing number of companies are reporting to the their social environmental and ethical performance, both as a communication to their stakeholders and as a management tool. Many companies are choosing to have these reports externally verified - both to meet the demand for quality information from shareholders and to strengthen the credibility of their reports. This movement though small is growing and in particular is being led in large part by European companies. Though standardisation in reporting is yet to be achieved, a number of multilateral organisations voluntary agencies and international standard organistions have launched reporting initiatives, important among these being –

- Sustainability Guidelines launched by Global Reporting Initiative in1999
- Social Accountability 8000, modelled on ISO 9000 pattern launched in 1997
- International Standards on Auditing (ISA)
- Coalition of Environmentally Responsible Economics (CERES)

Large auditing firms like KPMG & PriceWaterHouse Coopers continue to audit "Tripple Bottomlines: - The financial bottomlines, environmental bottomlines and social /ethical bottomlines.

In the Indian context, very little systematic documentation of CSR initiatives is available so far. One such study was done by Business Community Foundation for TERI. Some of the findings of the study are as follows –

a) Serious and committed approach to CSR is increasing its reach, but there is vast ground yet to be covered.

b) Collaboration work between companies & NGOs is increasing.

c) Corporates are realising that "Good for business is good business".

d) Most interventions so far philantrophic in nature, rather than strategic.

The main findings of present study, based on a questionnaire sent to all NSE Nifty Companies and five case studies from among the respondents, are as follows:-

1. Approximately 57 % of the responding companies, have a formally adopted "ethics code" while only one-third of the companies have an "Ethics Officer" or "Ethics Counselor ".
2. Large proportion of the responding companies are active in the areas of Education / Training (80 %), Healthcare (66 %), Environment (60 %), Welfare of underprivileged sections (57 %) and Rural development (23%).
3. Two surprising results as far areas of activity is concerned are –

Non of the responding companies have said they are doing anything in the areas of religious and/or spiritual developments.

- Less than 50 % of the companies have done anything during natural / other calamities.

4. One third of the responding companies have shared the information regarding the actual monetary expenditures incurred. For these companies actual / authorised expenditure has varied between 1 % to 12 % of Net Profits/ Profits after Tax (PAT). Another 40 % of the responding companies have not shared the expenditure information and have mentioned that there is no authorisation or limits as such and expenditure tends to be ad hoc in nature.
5. In the context of decision making process, more than one-third of the companies have institutionalised the process through specially constituted committees or Board of Trustees (in case if the activity is undertaken through trusts created for the purpose). An additional 40 % of the sample companies, have mentioned that the CMD or the Chief Operating Officers have been authorised to take the decisions in this respect.
6. Four distinct implementation strategies have been identified and companies seem to have adopted more than one strategy. Most frequently adopted strategy has been making monetary contributions, the second most popular one collaborating with other government semi-government and voluntary organisations. Very few companies have an in – house department for CSR activities, even fewer seem to involve their employees in the effort.
7. Almost three fourths of the companies have mentioned that they review their CSR interventions, but very few of these seem to be taking it seriously. The way replies have been sent gives the impression that they are only paying a lip service. More than half have said that they do assess the impact on the target groups and the information so gathered is used for future decision making.

In addition to the above findings, we discuss in the following paragraphs, our observations and learnings from the study. Many of these have emerged- both out of the questionnaire responses, but also from the personal interaction we had with the representatives from the corporate and their stakeholders – while working on the case studies. These offer some learning for other sample companies and other small and medium enterprises, who are yet to strategise their social responsibility activities and interventions

- Corporate have adopted different models for their CSR interventions, in terms of type of activities, in terms of implementation strategies, in terms of decision making processes and in terms of involvement of voluntary agencies as also employees. Our case studies have brought out and discussions have revealed that different companies may well adopt very different types and methods of involvement – while still getting real benefits. There is no one universal model, which will be appropriate for all types and sizes of companies. The appropriateness of the intervention may also vary with type of industry in which the company operates. There cannot be any universally applicable standards, codes or models. These will very depending on a) size of the companies, b) nature of operations, c) its core competence, d) role being played by state / local governments and many such factors.
- The benefits that social responsibility initiatives bring, do not happen just as a matter of course. Business and corporate have found that they need to plan, manage and measure what they do. The very best results are usually achieved when the involvement has natural links with the companies core business. Some professionals planning and managing CSR activities have opined that somehow the company must focus on those areas which ultimately (if not in the short-term, in medium to long term) increase business opportunities. It is felt otherwise, during difficult times, when the companies are facing recessionary market conditions, CSR is the first to be axed.
- At all levels, there is felt need for companies to graduate to strategic interventions in the CSR, which at present in many cases remain ad hoc and one of. There are many companies that may spend for urban development one year, and promote culture and music the next and probably look at environmental up-gradation the third year.

  A sense of strategic direction is a vital component in an effective approach to corporate responsibility. It allows the firm to deploy its resources effectively, while ensuring that expertise is developed within the firm to improve effectiveness. Strategy will perform a number of related functions.

  a) Define the scope of activity
  b) Match activities to the external environment – both natural and built.
  c) Match the activities to the organisation's resource capabilities.

It is also felt that rather than dissipating energy and resources in all and sundry areas, it is important to focus one or two broad areas like "education" or "healthcare". Within these areas too, it would be important to focus on just one or two specific targets / target group so as to create a measurable impact. Some pro-active corporate have expressed the opinion that it will be worthwhile if some co-ordinate efforts are made by those companies which are working in same areas i.e. "Education". Pooling of resources and skills can generate a much larger impact, it was felt.

- For companies with a large branch / plant network a centralised strategy may not be appropriate. For these organisations and especially those spread into for flung and remote areas, which are often economically backward and with large tribal population, it will be necessary to take a holistic new about a particular geographical area and look at large number of activities including primary healthcare, education, environment pollution abatement and income generation. This is exactly the opposite of what we have said earlier – To achieve an impact, there is a need to focus one/ two activities. Here, the focus in on a geographical area or a district.

This again substantiates our earlier point, there cannot be universal models, codes etc.For each company, there will be an appropriate strategy to match its internal resources and strengths with the external environment

- Again for companies with multi location plants/ branches, it will be necessary to authorise and empower the managers at the local level, because they are best able to appreciate and assess the needs at their local levels. Appropriate authorisations, reporting and review mechanisms have to be put in place, as two of our companies covered under the case studies have done. This will be necessary not to loose the focus and effectiveness.
- There are two different views as for as "Ethics Counselors" are concerned. Those companies that have consoler feel it is important to have such expertise and authority vested in one person or department. Others have expressed the view that "Ethics", "Value" or the social responsible behavior is something, which must permeate all the departments and is important that these are understood, appreciated and practiced across board. Some of the companies have created outside " ombudsman" to look after these functions.
- There is no consensus about the effectiveness of involving employees in the CSR activities. Some companies have found it very effective in spreading the message and inculcating certain values within their organisations. Some others feel that if employees are to be involved, it should be completely on a voluntary basis. Making it compulsory would completely defeat the purpose, it has been argued.

Evolving Future Agenda –

That corporate have social obligations, seems to be a foregone conclusion. The need to have multiple goals is also increasingly being recognised. Instead of a single "bottom line" on which most executives have been taught to fixate, the corporate are required to pay attention to multiple bottom lines- social, environmental, information and ethical bottomlines - all of which are interconnected.

There is a need for Indian corporates to graduate from thinking in terms of just charity, to the concept of responsibility. Both managers – at the individual level – and the corporates need to accept that neither office nor position gives immunity from responsibility. There is also an urgent need to integrate CSR with business strategy i. e. to link company's core business and strengths on the one hand with resources available with the organisation internally and needs of the external environment, on the other. CSR activities are known to achieve best results when these activities have natural links with the company's business. Proactive intervention by selecting some areas and concentrating on them will go a long way.

Annexure 1

Centre for Corporate Research & Training (CCRT)

Study of

Corporate Social Responsibility Initiatives of NIFTY Companies

Name of the Company:

Address for Communication:

I. Area & Type of Initiatives

1) Does your company have a formalised ethics code or a policy? If yes, give details.

   How was the code evolved?

2) Does the company have an Ethics Officer or an Ethics Counselor?
   What are his / her normal functions?

3) What has been the focus area of your company's CSR interventions?

   a) Education / Training
   b) Health
   c) Environment
   d) Religion / Spiritual
   e) Welfare for the underprivileged sections of society
   f) Any other

4) Please list the company's area of interventions on the "Corporate Social Responsibility" front in the last five years? Give details of the specific interventions.

5) What have been the expenses on the CSR account in the last five years? Is there a monetary limit or a limit in terms of percentage of profits set by the company? If yes, give details. If no, give reasons.

6) How are the decisions related to CSR made?

   a) Does the company respond to specific requests? If yes, is there a committee or department to look into all proposals received by the company? Give names and designations of persons on the committee / department.

b) Does the company decide in a proactive fashion, in which areas, projects it would like to participate / contribute?

II) **Implementation Strategies**

7) How are your CSR activities implemented?
   - Only monetary contributions are made
   - Through an in-house department
   - Collaborating with a voluntary organisation / NGO
   - Involving large number of employees
   - A combination of the above

8) Who decides how these are to be implemented? If through collaboration with an NGO, how is the selection of the NGO done?

III. **Impact Assessment**

8) Is there a review of the CSR activities and initiatives?
   How frequently is it done?
   Is it reviewed only when the activity / intervention is completed or mid term reviews are also done?

9) Is any attempt made to assess the impact of these activities on the target group?

10) What is the method used for assessing the impact?

11) Is the information so obtained used for future decision making?

12) If yes, how?
    If not done, why?

Annexure 2

List of NSE NIFTY Companies

Sr. No	Name
1	Asea Brown Boveri Limited
2	Asian Paints (India) Limited
3	Associated Cement Companies Limited
4	Bajaj Auto Limited
5	Bharat Heavy Electricals Limited
6	Bharat Petrochemicals Corporation Limited
7	Britannia Industries Limited
8	BSES Limited
9	Castrol India Limited
10	Cipla Limited
11	Colgate-Palmolive (India) Limited
12	Dabur India Limited
13	Digital Equipment (India) Limited
14	Dr. Reddy's Laboratories Limited
15	GlaxoSmithKline Pharmaceuticals Limited

16	Grasim Industries Limited
17	Gujarat Ambuja Cement Limited
18	HCL Technologies Limited
19	HDFC Bank Limited
20	HDFC Limited
21	Hero Honda Motors Limited
22	Hindalco Industries Limited
23	Hindustan Lever Limited
24	Hindustan Petroleum Corporation Limited
25	ICICI Bank Limited
26	Indian Hotels Company Limited
27	Indian Petrochemicals Corporation Limited
28	Infosys Technologies Limited
29	ITC Limited
30	Larsen & Toubro Limited
31	Mahanagar Telephone Nigam Limited
32	Mahindra & Mahindra Limited
33	Nestle India Limited
34	NIIT Limited
35	Novartis India Limited

36	Oriental Bank of Commerce (A Government of India Undertaking)
37	Ranbaxy Laboratories Limited
38	Reliance Industries Limited
39	Satyam Computer Service Limited
40	Smithkline Beecham Pharmaceuticals (India) Limited
41	State Bank of India
42	Sun Pharmaceutical Industries Limited
43	Tata Chemicals Limited
44	Tata Engineering and Locomotive Company Limited
45	Tata Iron and Steel Company Limited
46	Tata Power Limited
47	Tata Tea Limited
48	Videsh Sanchar Nigam Limited
49	Wipro Limited
50	Zee Telefilms Limited

Annexure 3

List of Companies that have responded to the Questionnaire

Sr. No	Name
1	Associated Cement Companies Limited
2	Asian Paints (India) Limited
3	Bajaj Auto Limited
4	Britannia Industries Limited
5	Cipla Limited
6	Colgate-Palmolive (India) Limited
7	Gujarat Ambuja Cement Limited
8	HDFC Limited
9	ICICI Bank Limited
10	ITC Limited
11	Mahindra & Mahindra Limited
12	State Bank of India
13	Tata Chemicals Limited
14	Tata Tea Limited
15	Tata Engineering and Locomotive Company Limited

16	Tata Iron and Steel Company Limited
17	Videsh Sanchar Nigam Limited
18	Wipro Ltd
19	Zee Telefilms Limited

List of Companies for which data has been culled out from Annual Reports and other published sources.

20	Asea Brown Boveri Limited
21	Dr. Reddy's Laboratories Limited
22	Grasim Industries Limited
23	Hero Honda Motors Limited
24	Hindalco Industries Limited
25	Indian Hotels Company Limited
26	Infosys Technologies Limited
27	Larsen & Toubro Limited
28	Ranbaxy Laboratories Limited
29	Satyam Computer Service Limited
30	Tata Power Limited

Annexure 4

List of Specific Interventions

★ **Education / Training**

1. Construction of School Building
2. Merit scholarships to employees /others.
3. Adult literacy classes.
4. Vocation training to women and youth.
5. Scholarships for post graduate studies abroad.
6. Enchancing teachers performance.
7. Funding support to specialised institutions of higher learnings like IITs, IIM ect.

★ **Healthcare**

1. Medical Camps
2. Mobiles Medical Services.
3. Pulse Polio Programme
4. Construction / revamping of municipal hospitals.
5. Cancer / AIDs awareness , prevention & treatment.
6. Training of bear foot doctors
7. Oral health awareness in schools.
8. Blood donation camps.
9. National Leprosy eradication
10. Infant health

★ **Environment**

1. Recycling of Pollutants / Waste
2. Tree plantation
3. Natural resource management
4. Integrated watershed development
5. Rain water harvesting programme
6. Reclaiming of wasteland
7. Awareness programs in schools/colleges

★ **Welfare of Underprivileged Sections**

1. Co-Operative store in Tribal areas
2. Training for women / Girls.

3. Computer literacy classes for rural.
4. Construction of hostel for deaf poor students.
5. Support to school for mentally challenged children
6. Free coaching classes in urban slums and shanties
7. Construction of public Toilets.
8. Funding of Libraries in slums.

★ **<u>Rural Development</u>**

1. Agricultural Guidance
2. Provision of drinking water.
3. Agricultural Extension
4. Veterinary Service.
5. Drip irrigation / Re- Charging of wells.
6. Rural roads & other infrastructure
7. Promotion of rural income generation schemes.

★ **<u>Other</u>**

1. Bio gas
2. Protection of wild life.
3. Construction / maintenance of gardens & fountains.
4. Financing of community infrastructure
5. Support to sporting events.
6. Welfare works with prisoners.
7. Welfare work with ex-defense personnel
8. Income generation activities for women
9. Micros finance development & document action.
10. Promoting Indian classical music theatre & art.
11. Establishment of sangeet Research Academy.
12. Working with Govt. agencies for family planning awareness
13. Supporting programs for national integration
14. Funding conservation of national monuments & heritage

Annexure 5

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