

HOW MUCH SOCIALLY RESPONSIBLE THE CORPORATES ARE?

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Abstract *Corporate Social responsibility does not only connote Self Regulation on the part of Corporates rather it also lies at the heart of Ethical standards and International norms; whereby companies are supposed to bring positive impact, through its activities, on the stakeholders. The Rationale of the concept of Corporate Social Responsibility (CSR) is that “industry can no longer be regarded as a private arrangement for enriching shareholders rather as a joint enterprise in which workers, management, consumers, the locality, government and trade union officials all play a part”(Berad, 2011). Business Ethics and Social responsibility go hand in hand because business ethics are of great importance to organizations because they carry the potential of transforming organizations’ cultures in accordance with principles of social responsibility (Saqib et. al, 2009). Such a transformation of organizational culture can lead to a transformation of the organization towards not only better management of stakeholder relations but also and more fundamentally innovation in how organizations do profitable business. So both Business Ethics and CSR hold a very important place in the development scenario of the world today and can pose an alternative tool for sustainable development. In this backdrop, the present paper is a modest attempt to examine that how much conscious are the BSE Sensex blue chip companies with respect to CSR activities. For the same, data on thirty blue chip companies have been analyzed by computing compound annual growth rates.*

Keywords *CSR, Blue Chip Companies, Business Ethics*

Social responsibility of a business refers to what the business does, over and above the statutory requirement, for the benefit of the society. The word responsibility connotes that the business has some moral obligations to the society. The rationale of the concept of social responsibility is that “industry can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, government and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests which go to make up in a common purpose” (Berad, 2011).

Social responsibility of the business is advocated on the ground that resources it makes use of are not limited to those of the proprietors and the impact of their operations is felt also by many a people who are in no way connected with the enterprise (David et. al, 2007). The shareholders, the suppliers of resources, the consumers, the local community and society at large are affected by the way an enterprise functions. Hence, a business enterprise has to be socially very responsive so that a social balance may be struck between the opposing interests of these groups. Further, companies which have huge resources at their disposal, have a moral responsibility to care for the society. Besides, discharge of social responsibilities will be in the company’s own interest because it helps in building up good rapport with society and Government.

Social Responsibility and Business Ethics (BE) are two interrelated concepts as adherence to the one will lead to an automatic adherence with the second. It is because of the fact

that Business Ethics are transformational in nature as they carry the potential of transforming organizations’ culture in accordance with principles of corporate social responsibility (Saqib et. al, 2009). Such a transformation of organizational culture can lead to a transformation of the organization towards not only better management of stakeholder relations but also and more fundamentally innovation in how organizations do profitable business (Visser, 2007). Such an innovation, via the very organizational culture from which it would have been initiated, would be not only profitable for the company, but also beneficial for society. In this way, business ethics can be an enabler of organizations’ corporate social responsibility.

It is gratifying to note that business community in India has been instrumental in setting up hundreds of institutions of public service like schools, colleges, management institutes, dispensaries, hospitals, technological and research institutes (Jalan, 2005).

In this backdrop, the present paper is a modest attempt to examine that how much conscious are the BSE Sensex blue chip companies with respect to CSR activities.

DATABASE AND RESEARCH METHODOLOGY

For the present study, BSE Blue Chip companies have been taken as a sample. The data relating to expenditure made on CSR activities have been taken from Prowess Database. Mainly, Environment & Pollution Control expenses,

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Donations and Social & Community expenses (clubbed together) are taken as a proxy for the expenditure incurred on social activities. The data have been analyzed by computing Compound Annual Growth Rate.

Table 1 shows the total expenditure incurred on social activities by thirty BSE Blue chip companies. The table reveals that Jindal Steel and Power Ltd. registered the maximum CAGR of 95 per cent over the ten years i.e. from Rs. 0.7 million in the year 2001 to Rs.555 million in the year 2010, followed by Jaiparkash Associates Ltd. (94 per cent) and DLF Ltd. (89

Per cent). As far as Bajaj Auto Ltd. and Sun Pharmaceuticals Ltd. are concerned, these registered negative growth rates of -1.55 and -19.725 per cent respectively. Moreover, there are companies like HDFC Bank Ltd., Hindustan Unilever Ltd., Housing Development Finance Corpn. Ltd., ICICI Bank Ltd., Tata Consultancy Services Ltd., Tata Motors Ltd., Tata Power Co. Ltd., Tata Steel Ltd., Wipro Ltd., Larsen & Toubro Ltd., State Bank Of India, Sterlite Industries (India) Ltd., Maruti Suzuki India Ltd. and Oil & Natural Gas Corpn. Ltd. are not contributing anything towards social activities

Table 1 Total Expenditure Incurred for Three (Proxy variables) by BSE Thirty Companies

(Figures in Million Rs.)											
Company Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	CAGR
Bajaj Auto Ltd	0	0	0	0	0	0	0	52.5	5	50.1	-1.54
Bharat Heavy Electricals Ltd.	24.8	1.4	0.8	4.4	21.3	37.2	5.9	71.2	31.3	43.1	5.68
Bharti Airtel Ltd.	11	0	0	0	31.1	74.5	54.1	317.4	219.5	179	32.17
Cipla Ltd.	1.3	6.7	1.7	74.6	1.5	1.3	17.7	7.6	11.6	8.2	20.22
Coal India Ltd.	127.5	141	149.1	151.7	151.8	152	179.9	210.7	328.5	288.6	8.51
D L F Ltd	0	0	0	0	7.4	15.4	15.4	67.2	29.5	341.8	89.44
H D F C Bank Ltd.	0	0	0	0	0	0	0	0	0	0	NA
Hero Motocorp Ltd.	24	77.8	20.3	23.8	43.4	9.1	13.7	9.1	64.3	43.9	6.22
Hindalco Industries Ltd.	17.4	26.7	30.6	44.3	135.3	87.1	109.6	412.8	288.7	464.3	38.87
Hindustan Unilever Ltd.	0	0	0	0	0	0	0	0	0	0	NA
Housing Development Finance Corpn. Ltd.	0	0	0	1	0	0	0	0	0	0	NA
I C I C I Bank Ltd.	0	0	0	0	0	0	0	0	0	0	NA
I T C Ltd.	50	0	0.5	0	76.7	10	0	0	0	62.8	2.30
Infosys Ltd.	82.2	51.2	60.9	142.9	210	170	210	200	210	430	17.99
Jaiparkash Associates Ltd.	0.6	0.6	60.6	41.4	90.1	152	263.1	312.3	332.4	448.5	93.8
Jindal Steel & Power Ltd.	0.7	2.5	1.5	16.4	20.4	101.3	114.9	122.9	531.2	555	94.94
Larsen & Toubro Ltd.	0	0	0	0	0	0	0	0	0	0	NA
Mahindra & Mahindra Ltd.	57.2	12.6	6	21.7	42.5	54.9	62.6	73.7	59.7	93.5	5.03
Maruti Suzuki India Ltd.	4	0	0	0	0	0	0	0	0	0	NA
N T P C Ltd.	96.1	201	169	81	169	171	268	342	322	425.4	16.03
Oil & Natural Gas Corpn. Ltd.	0	2423.8	2750.7	3862.2	238.6	0	0	0	0	0	NA
Reliance Industries Ltd.	303.9	300.7	423.3	364.4	383.1	257	266.5	1149.1	825.9	1033.7	13.02
State Bank Of India	0	0	0	0	0	0	0	0	0	0	NA
Sterlite Industries (India) Ltd.	0	0	0	55	58.6	2.5	0	0	0	120	NA
Sun Pharmaceutical Inds. Ltd.	0.9	1.4	0.5	0.5	1.3	3.9	0.5	10.3	0.1	0.1	-19.72
Tata Consultancy Services Ltd.	0	0	0	0	0	0	0	0	0	0	NA
Tata Motors Ltd.	0	0	0	0	30	0	0	0	0	0	NA
Tata Power Co. Ltd.	0	0	0	0	0	0	0	0	0	10	NA
Tata Steel Ltd.	0	0	0	0	35	0	0	0	0	35	NA
Wipro Ltd.	0	0	0	0	0	0	0	0	0	0	NA

Source: Various Annual Reports, Prowess Database

(as measured by the proxy variables).

Table 2 shows the amount (in million Rs.) donated by the BSE Blue Chip companies in the various years starting from the year 2001 to 2010.

The table reveals that DLF Ltd. registered maximum CAGR over ten years followed by Jindal Steel and Power Ltd. (95 per cent) and Jai parkash Associates ltd. (94 per cent). As far as Bajaj Auto ltd., NTPC ltd., Bharat Heavy Electricals, Coal India ltd. and Sun Pharmaceuticals ltd. are concerned, they registered negative growth rates of -1.547, -1.086, -17.952, -17.683 and -19.726 per cent respectively. Moreover, there

are companies like Hindustan Unilever Ltd., Housing Development Finance Corpn. Ltd., ICICI Bank Ltd., Tata Consultancy Services Ltd., Tata Motors Ltd., Tata Power Co. Ltd., Tata Steel Ltd., Larsen & Toubro Ltd., State Bank Of India, Maruti Suzuki India Ltd. and Oil & Natural Gas Corpn. Ltd. have not given any amount as donations or had given very small amount that too in one or two years out of ten years taken for the study.

Table 3 shows the data relating to amount spent on social and Community Expenses by various companies starting from 2001 to 2010. It is surprising to note that only four out of thirty companies have spent for social and community

Table 2 Amount given in the form of Donation by BSE Blue Chip Companies

(figures in Rs. Million)											
Company Name	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	CAGR
Bajaj Auto Ltd.	-	-	-	-	-	-	-	52.5	5	50.1	-1.54
Bharat Heavy Electricals Ltd.	21.7	0.1	0.1	0.6	19.8	30.9	2.2	8	1.3	3	-17.95
Bharti Airtel Ltd.	11				31.1	74.5	54.1	317.4	219.5	179	32.17
Cipla Ltd.	1.3	6.7	1.7	74.6	1.5	1.3	17.7	7.6	11.6	8.2	20.22
Coal India Ltd.	2.1	1.1	1.1	4.5	0.7	1.1	0.9	0.2	0.2	0.3	-17.68
D L F Ltd.	-	-	-	-	7.4	15.4	15.4	67.2	29.5	341.8	1187.01
H D F C Bank Ltd.	-	-	-	-	-	-	-	-	-	-	NA
Hero Motocorp Ltd.	24	77.8	20.3	23.8	43.4	9.1	13.7	9.1	64.3	43.9	6.224
Hindalco Industries Ltd.	17.4	26.7	30.6	44.3	135.3	87.1	109.6	412.8	288.7	464.3	38.87
Hindustan Unilever Ltd.	-	-	-	-	-	-	-	-	-	-	NA
Housing Development Finance Corpn. Ltd.	-	-	-	1	-	-	-	-	-	-	NA
I C I C I Bank Ltd.	-	-	-	-	-	-	-	-	-	-	NA
I T C Ltd.	50	-	0.5	-	76.7	10	-	-	-	62.8	2.30
Infosys Ltd.	72.2	51.2	60.9	142.9	210	170	210	200	210	430	19.53
Jaiprakash Associates Ltd.	0.6	0.6	60.6	41.4	90.1	152	263.1	312.3	332.4	448.5	93.80
Jindal Steel & Power Ltd.	0.7	2.5	1.5	16.4	20.4	101.3	114.9	122.9	531.2	555	94.94
Larsen & Toubro Ltd.	-	-	-	-	-	-	-	-	-	-	NA
Mahindra and Mahindra	57.2	12.6	6	21.7	42.5	54.9	62.6	73.7	59.7	93.5	5.03
Maruti Suzuki India Ltd.	4	-	-	-	-	-	-	-	-	-	NA
N T P C Ltd.	5.8	1	1		-	4	3	6	1	5.2	-1.08
Oil & Natural Gas Corpn. Ltd.	-	-	-	158.9	238.6	-	-	-	-	-	NA
Reliance Industries Ltd.	303.9	300.7	423.3	364.4	383.1	257	266.5	1149.1	825.9	1033.7	13.02
State Bank Of India	-	-	-	-	-	-	-	-	-	-	NA
Sterlite Industries (India) Ltd.	-		-	55	58.6	2.5	-	-	-	120	72.65
Sun Pharmaceutical Inds. Ltd.	0.9	1.4	0.5	0.5	1.3	3.9	0.5	10.3	0.1	0.1	-19.72
Tata Consultancy Services Ltd.	-	-	-	-	-	-	-	-	-	-	NA
Tata Motors Ltd.	-	-	-	-	30	-	-	-	-	-	NA
Tata Power Co. Ltd.	-	-	-	-	-	-	-	-	-	10	NA
Tata Steel Ltd	-	-	-	-	35	-	-	-	-	35	NA

Source: Annual Reports of various companies, Prowess Database.

Table 3 Amount Spent on Social and Community Expenses

(Figures in Rs. Million)											
Company Name	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	CAGR
Bharat Heavy Electricals Ltd.	3.1	1.3	0.7	3.8	1.5	6.3	3.7	63.2	30	40.1	29.17
Coal India Ltd.	125.4	139.9	148	147.2	151.1	150.9	179	210.5	328.3	288.3	8.68
Infosys Ltd.	10										NA
NTPC Ltd.	90.3	200	168	81	72	167	265	336	321	420.2	16.62

Source: Annual Reports of Companies, Prowess Database.

expenses. Out of these companies, Bharat Heavy Electricals Ltd. has registered maximum CAGR over the period of ten years followed by NTPC and Coal India Ltd. Infosys Ltd. incurred Rs. 10 million in the year March 2001 but didn't continue with it in the rest of years.

The data relating to amount spent on third Proxy variable i.e. Environment and Pollution control expenses shows vulnerable position as far the BSE Blue chip companies are concerned. The data shows that out of the sample of thirty companies only one company (Oil and Natural Gas Ltd) has spent Rs. Million 2438.8, 2750.7 and 3703.3 in 2003, 04 and 05 respectively. No other company has spent anything on this proxy variable.

Hence, it can be concluded that most of the companies out of 30 blue chip companies are active in case of one variable out of three taken for the analysis. It has been observed that companies are active in case of donations only which may be due to the tax incentives associated with it.

CONCLUSION

Corporate Social Responsibility should be viewed as an ongoing process and not as a destination. As per the analysis, companies have made efforts to contribute towards social activities yet the progress is not up to the mark as at the end of the day CSR remains to be a voluntary activity. If public pressure continues to mount against corporations who act with impunity and if Government takes a step forward in monitoring and regulation of social activities, CSR could become a progressive and sustainable movement. But Government regulations will not suffice the purpose until and unless Corporates themselves realize that they are an outcome of society itself and it is their ethical as well as moral duty to engage themselves in social activities for the betterment of the society.

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