Philanthropy to Corporate Social Responsibility: 
An Indian Perspective

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Abstract
Purpose – Corporate social responsibility (CSR) involves corporations, states, international organizations and civil society organizations. It has emerged as a global trend. The various concerns regarding CSR includes: what CSR stands for, what the trend really is, where it comes from, where it is heading and who the leading actors are. And these issues are still far from clear. The purpose of this paper is to examine the trend of CSR in all its complexity and look forward in the potential impact and major concerns related to it. Design/methodology/approach – Combined analysis of central documents and publications on CSR with analysis of articles related to CSR. Findings – Apart from defining and explaining the various issues related to CSR, the paper throws further insights in the prevalent trends of CSR in various corporate in India.

Originality/value – The conceptual explanations shows the likely development and potential impact of a corporate social development. Moreover, the discussions help us reflect on the formation of management trends.

Keywords: Social responsibility, Philanthropy, CSR reporting, CSR audit.

JEL classification: M10, M14

Introduction

India began with a mixed economy consisting of state-owned public sector, and private sector subject to industrial licensing and many administrative controls on imports; exports; foreign exchange etc. Between 1950 and 1990, the economy grew at only 3.5% per annum. But Indian economy has witnessed a high growth path of 8% in 21st century. But on the other hand inflation rose above 12% which affect the poor more. Sustained Inclusive Growth requires an optimal blend of three sets of Actors and their respective responsibilities (Athreya, 2009). The first is Government Social Responsibilities (GSR) and the initiatives taken by government. But to achieve the above, corporates need to go hand in hand. The second is Corporate Social Responsibilities (CSR) which includes providing customer value; shareholder returns; and employee satisfaction. The next call is for
Personal Social Responsibility (PSR) which requires that every citizen above the Poverty Line must take his/her own responsibilities. Since business creates much of wealth and well being in the society CSR has gained to get attention from very long time. CSR has become crucial due to the fact that it influences all aspect of business as well as the society. Society creates a dynamic context in which the firm operates. Society addresses business ethics, corporate governance and the environmental concerns. In return businesses are largely responsible for creating wealth for the operating organization as well as the society. But at the same time it can create harm to the society. This includes pollution, layoffs, and industrial accidents to count for a few. The debate over the proper relationship between the business and society has focused on the topic of corporate social responsibility for the past several decades (Klonoski, 1991). Between the debate of the great good and possible harm, the concern related to existence of a business may push an individual to think about the role of business in the society and especially when globalization, technological innovation and other changes are expanding the scope of operation for the players in the market.

The exploration of CSR becomes more exciting from a readers perspective because it is very topical. What calls for today corporate social business includes job and job losses, corporate charity, personal greed, environmental concerns, corruption, innovations, scientific breakthroughs, to say it revolves around all the stakeholders. The corporate social responsibility competencies may enable an organization to have sustained competitive advantage.

**What is corporate social responsibility?**

There are different approaches defining corporate social responsibility. The term has encompassed a wide range of economic, legal, and voluntary activities by writers of stature in business. Talking exactly in terms of these authors CSR can be defined as follows:

Eells and Walton, in 1961 (Frederick, 1994), argued as follows: When people talk about corporate social responsibilities they are thinking in terms of the problems that arise when corporate enterprise casts its shadow on the social scene, and of the ethical principles that ought to govern the relationships between the corporation and society. Joseph McGuire, in 1963, acknowledged the primacy of economic concerns, but also accommodated a broader view of the firm's social responsibilities. He posited that: The idea of social responsibilities assume that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations (Frederick, 1994). Jules Backman has suggested that “social responsibility usually refers to the *objectives* or *motives* that should be given weight by business in addition to [emphasis added] those dealing with economic performance (e.g., profits)” (Backman, 1975).
Historical background

Keith Davis, who posed two intriguing questions in the 1960s, set the stage for this debate: "What does the businessperson owe society?" (Davis, 1967) and "Can business afford to ignore its social responsibilities?". He suggested that social responsibility refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis, 1960). Although in 1970's Friedman propounded the notion that the only social responsibility of business are the use of its resources and involving themselves in the activities which foster profits to them. (Friedman 1970). In 1975 ‘corporate social performance’ was first coined (Sethi, 1975). It was further expanded by (Carroll, 1979). He forwarded a three dimensional social performance model taking consideration of the then prevalent views of pioneer authors in the field of CSR studies. The first dimension explained the social responsibility categories which included ethical, discretionary, economic, legal and voluntary issues of firm’s responsibilities. The second dimension described the social issues which included discrimination, consumerism, occupational safety, shareholders, product safety and environment. The third dimension addressed the thoughts of a group who argued that social responsiveness is concerned with philosophy of response that is reaction versus proaction. Then freeman came up with his view stating that business is responsible to shareholders (Freeman, 1984).

Corporate social responsibility was viewed in terms of four faces, as explained by Carroll (Carroll, 1998). He propounded that the four faces corporate citizen are economic face, legal face, ethical face and philanthropic face. In his argument he forwarded that, profit making is not antithetical to good corporate citizenship. A firm should be profitable and must be able to carry their own weight and fulfil their own economic responsibilities. They are expected to have sufficient income generation so as to pay their bills and reward the investors. When these investors receive a strong return on their investment, the assurance to other stakeholders gets stronger. Further characterizing good corporate citizens, it is expected that organization should obey the law that are designed to govern the relationship between the organization and their stakeholders. The organizations are then regarded to strive to operate in an ethical fashion. The desire to help mankind through acts of charity is commonly known as Philanthropy. This type of contribution is often regarded as equivalent to corporate citizenship.

Role of CSR:
- Boost in brand image and reputation.
- Increased sales and customer loyalty.
- Reduction in operating costs.
- Higher productivity and quality.
- Attract and retain employees.
- Reduced regulatory oversight.

(Chaudhary, 2009)
Why corporate social responsibility?

The corporate social responsibility has been long argued to be related with the profitability of an organization. It can possibly be found the means in which it enhances the profitability. The impact of CSR on various stakeholders and how are they interrelated when examined may provide some insights into why organization goes socially responsible.

Employees: Good employee relation has a considerable impact on organizations functioning. It accounts for lower turnover rate, increased productivity, motivation and loyalty. These are well established facts. What makes organizations concerns is the issue that ‘a firm’s corporate social performance may provide a competitive advantage in attracting applicants’ (Turban & Greening, 1997).

Customers: the core element of most successful firm is an excellent customer experience. Customers who are delighted are likely to repeat its relation with the firm (Cochran, 2007).

Media: Firms which are socially responsible have an edge over other firms especially those which have socially irresponsible reputations. And the organization which maintains poor relation with or do poor job to media relation may take risk of damaging their reputation (Motion & Weaver, 2005)

Society: there are several reasons to why corporate should give back to society. Carroll (1998) cited few of the reasons stating that: business has a stake in civil discourse; a corporate culture is incivility and intolerance thwarts the development of a company’s most important asset, its people; businesses should serve as an example of how people are treated; and, because there has been a decline of the institutions that have bound communities together- the lodge, social hall, and the church- business must fill the void.

CSR: moving beyond charity and philanthropy into a professional phase

CSR an element of condescension may begin as “charity”. The next stage, Philanthropy accepts some moral responsibility, for sharing wealth. Now, CSR is being linked with business strategies. Competitive advantage can be gained by CSR. A number of business benefits, can be achieved some of which includes lower costs, reduced risk, higher revenue, better reputation, access to talent and capital etc (Atherya, 2009). CSR does not treat corporate growth and social welfare as a zero-sum game rather offers a new way to look at the relationship between business and society. The way forward is grounding CSR in the values, purpose and strategy of the business and treating it in entrepreneurial fashion (Gupta & Sharma, 2009). The examples of companies where CSR practices have not only established them as credible enterprises but also brought them business benefits is replete in the corporate sector. Some of the worth mentioning benefits are Cost
savings, Reducing risk, Increasing revenue, Building reputation, Developing human capital, Improving access to capital.

To apply fundamental business principles to make CSR sharper, smarter, and focused is what really matters and is the task for ahead. Focusing on priorities, allocating finance for treating CSR as an investment, monitoring activities to ensure initiatives really deliver outputs, and reporting performance in an open and transparent way are some of the areas of concern. Gupta and Sharma have talked of four inter-locking priorities for action that emerges out of this call (Gupta and Sharma, 2009). Corporate funding of community initiatives will remain a critical contribution to the national development as India’s social infrastructure is inadequate. But is of more importance is allocate the funds appropriately and for their stakeholders. An acute ‘resource crunch’ leads to conflicts between companies and communities over scarce resources. What corporate can think of is, to develop clear programmes ensuring equitable access, particularly for low-income groups. There is no basis for evaluating corporate movement towards responsible business practice without disclosures. Leading companies can use Global Reporting Initiative to develop a core set of common CSR indicators. The challenges of delivering long-term social returns are to be understood and the linkages of CSR with financial performance need to be appreciated, if CSR is to be pursued on a truly sustainable basis.

**Genesis of Indian philanthropy**

A tradition of ‘Trusteeship’ propounded by Mahatma Gandhi evolved in India and corporate leaders such as GD Birla and Jamnalal Bajaj later adopted the same. During First World War businessmen like GD Birla, Kasturbhai Lalbhai made huge profit and reinvested them in setting up new industries. During 1700, Indian merchants didn’t have the Indian market entirely to themselves. They were to compete and collaborate with East Indian companies. Since then the philanthropic activities in Indian corporate can be traced out. Virji Vora was one of the most powerful figure on country’s commercial horizon till the end of 17th century. He used his awesome financial powers and intimidated both foreign and Indian merchants alike. He occasionally with other merchants like Haji Zahid Beg purchased enough of vermilions & quicksilver sufficient enough to supply the whole country for many years (Tripathi, 2004). During 1850’s the cotton trade brought enormous wealth in the city of Bombay. A small part of this wealth was seriously utilized for honest trade which was directed to improvement of the city. The then Governor Bartle Frere, was much desired to leave a beautiful and clean city behind. Part of the wealth was donated by merchants then for construction of public buildings like hospitals, libraries, and training institutes. For higher education few merchants instituted higher education. The Marwari community has significantly contributed to philanthropy. Among Marwari’s in philanthropic activities the Birla family is foremost. In Indian cities the Birla temples have become major landmarks. Apart from famous Birla Mandir, Laxminarayan Mandir
in Delhi was built in 1938. The Birla family’s has their contribution to major institutions of technology, medicine and education (Telegraph, Dec 2007). The involvement of the Birla’s in the nationalist movement, especially G.D. Birla’s closeness to Mahatma Gandhi is well known. GD Birla also called Marwari Magnate invested his First World War time profit into jute industry to break Scottish jute monopoly and was succeeded. By the time British decided to leave their assets grown to more than $100 million. His philanthropic activities became legendary and he was a major donor to freedom movement (Tripathi, 2004). GD with his family was on a vast scale philanthropic. They built one of the India’s finest complexes of higher education ‘Birla Institute of Technology and Sciences’ at Pilani. GD Birla fought for the rights of untouchables in India being the president of Harijan Sevak Sangh. A hospital providing advanced treatment and remarkably 80% bed being free in the city of Bombay is one of the best in the state. The Birla Park constructed in 1923 and the then residence of Birla family was later converted into industrial museum and was gifted to government (Piramal). The turmoil’s and share mania of 1860’s led Indian business into indirect benefits by some other developments as well. It encompassed the Indian economy and society in general. The emphasis was renewed on developing internal communication another small gain was an addition of several thousand miles of roads. Like GD Birla, Kasturbhai Lalbhai, a Jaini businessman also became popular as philanthropic legendary. He was founder of Indian chemical Industry. He also found opportunity of cotton famine during First World War and the skyrocketed textile demand led to huge profits. With this war time profit he set 7 textiles mills and became largest textile producer in India. In 1952, March he set up a new chemical plant in Shimla called “Atul”. He employed local illiterate villagers, who he trained and built neat little homes for them. The Tata’s are among the most prominent philanthropers in India. In 1941, Tata memorial hospital was set up and in 1945 Tata institute of fundamental research was set. Talking of licensing permit raj, none of the entrepreneurs with the exception of Dhirubhai Ambani emerged (Piramal, 1998).

CSR audit

CSR auditing is a means to corporate social accounting. By CSR auditing the organizations show their commitment to systematic assessment and reporting of meaningful activities of the company which have social impact (Morimoto, Ash & Hope, 2005). About the extra-curricular contribution of Indian business for Indian society has been remarkably silent. CSR auditing becomes important because it shows performance gap, the gap between the corporate performance and potential of recent standards and guidelines. CSR auditing creates social transparency and encourage responsible decision making. Research has reported the demands of CSR report to be insufficient. The incomplete report coverage is common and stakeholders argue to provide the reports, standards and guidelines. The CSR audit system must have two properties which will facilitate the analysis of corporate
activities, it should be table over time so that one can compare historically and the standards and guidelines should be defined in a way so that it becomes applicable across firms. But one should be aware of the errors one may create barriers to CSR auditing. Bias in choosing categories may make it difficult in applying to various industries. The second barrier resides not in creating audit system rather in its implementation. Morimoto, Ash & Hope in 2005 have proposed a CSR audit protocol which has following features. Any type of organization can be accommodated, the relation between management and all stakeholders can be assessed, and performance against each category is classified into essentials, required and desirable. There are few auditing system which may be applied by the organization to check the social activities ISO 14000 (external reporting of environmental performance), GRI (sustainability report), AA1000 (based on principles of completeness, materiality, and responsiveness), ISAE3000, SA8000 (social accountability system).

CSR reporting

The Western markets until the late 1990s the industry focused more on philanthropy rather than social responsibility. As the call for socially responsible behaviour gained importance so was gaining the call for CSR reporting and as a part of sustainable development process across the world, corporate social and environmental reporting has received importance and attention in recent years. There exist stand-alone reporting practices in India but the content and information is limited (Baxi & Ray, 2009). This can be very well contrasted with reporting practices in Europe which include Eco-Management and Audit Scheme (EMAS). In India these reports are qualitative rather than quantitative in nature. Systematic formulation of Environmental Management System is the major lag in these reports. With the introduction of GRI (Global Reporting Initiative) in 2000, the era of sustainability reports were introduced. GRI has set certain guidelines to social, environmental and financial reporting of many companies. Indian corporate are now increasingly adopting the GRI framework of reporting standard. There are eight Indian companies which follow GRI guidelines (Table 1).

Rather than focussing on impact on the society professional companies are more inclined towards reporting their effort. Again in India the family owned business is the prevalent organizational ownership the corporate social responsibility of most of the firms depends on the family’s core emotional values and therefore to look at the impact these firms does not focus on the reporting standards and disclosure with proper quantitative measures. As a part of a company’s accountability towards all its stakeholders there is an urgent need to develop a transparent reporting standard in India.
Indian Company Reports Published in 2008 Following GRI Guidelines

Table 1

<table>
<thead>
<tr>
<th>Name Organization</th>
<th>Guidelines</th>
<th>Application Level</th>
<th>Status</th>
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<td></td>
<td>Undeclared</td>
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<tr>
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<td>A+</td>
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<td>ITC Limited</td>
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Source: Global Reporting Initiative
Website: http://www.globalreporting.org/GRIReports/ accessed on October 2008

**CSR to strategic CSR**

The trend has shifted from philanthropy to strategic philanthropy. Andrew Carnegie and capitalist like him were known for their charitable activities but were pursued as individuals (Cochran, 2007). After 1950’s the shift of focus of corporate from giving which was not intended to or directly related to corporate benefits emerged. The firms started to make philanthropic contribution in the decades that followed so as to improve the overall health of the larger society. The firm should not through money just for the good sake of the society rather it should also benefit the firm. This may include aligning their expertise with the social needs, which is engaging in activities closer to its operation.

Investing is no more the priority of stockholders, rather socially responsible investing has taken the boost. The concept of SRI is that a group of individual can have an impact on functioning of an organization by market mechanism. The stockholders may have some certain objections on any or every operation of an organization. A single individual may not have any impact or they seem unlikely to make any difference but many stockholders can make a major difference by not purchasing or selling the shares of that firm (Cochran, 2007). Entrepreneurship or enterprises are now focusing in transforming social entrepreneurship or social enterprise. Now, what that does mean? Cochran further explains that enterprises that are devoted to solving social problems or applying the principles of business to social problems make them socially focused enterprises (Cochran, 2007). The existence of such firm is not to enhance or maximize shareholders return but to make a positive social impact. Venture capitalists are now supporting the growth in social ventures. They supply money to social ventures and engage in the process of future social entrepreneurs training.

**The road ahead**

Society holds both positive and skeptic view of CSR activities in a market-led economy like India and expects a responsible and ethical behaviour from the
corporations because in case of any deviation between the business and the society, a sense of doubt and mistrust may arise. When society and corporate work together and understand each other can lead to development of a collaborative strategy for economic growth in a developing countries (Narwal and Sharma, 2008). So organizations should focus on bridging the expectations of society and their espoused CSR moves. In enacting CSR policies and the effect of CSR policies the role of employees has received little attention (Ellis, 2009). Human resources may be a source of sustainable competitive advantage (Barney, 1986). So organizations need to focus on employees to improve their productivity and motivation. Apart from organizations on their possessions, Indian state government can initiate their own activities to motivate organizations towards CSR. One of the "first of its kind initiative" among Indian states is Tamil Nadu government presentation of Corporate Social Responsibility Award. Many organization including ONGC, CPCL, Saint Gobain Glass India Ltd, SAIL, Orchid Chemicals and Pharmaceuticals Ltd and Sri Ramalinga Mills were awarded the Corporate Social Responsibility Award for the years 2007-08 and 2008-09 (Chemical Business, 2009). This kind of awards may motivate organizations to work for society and other stakeholder as associated with this type of award is recognition.

With the revolution of technology IT can also play a role in enhancing the CSR activities of organization. Workplace can be enhanced, adaptations for disabled employees can be created and educational opportunities for employees and society can be enhanced. A firm's corporate social responsibility initiative can be implemented as well with the use of IT. To make computers accessible to the blind and the visually impaired there is a huge amount of available software like voice recognition software, screen magnifiers, speech synthesizers (Friedman and Friedman, 2009). Corporates can ‘go green’ by producing no waste and using renewable sources of energy only. MNEs from developing countries engage in CSR practices that are mainly altruistic instead of strategic often in a philanthropic sense, such as monetary contribution to communities. One of the differences in the CSR initiatives between developed countries and developing countries is stakeholders being object of CSR initiatives rather than active subject in shaping the CSR agenda in the later. With the globalization of markets and companies seeking being tagged as global companies’ adherence to accepted CSR principles has become common. Organizations from developing and transition economies may need to adopt practices of their western counterparts (Gugler & Shi, 2009). So Indian organizations going global may have move toward a market with more stringent rules and ‘more demanding’ stakeholder groups need to have plans accordingly. To improve the image the industrialist need to select the means of communication through which they can communicate the public about the performance and their contribution to the society.
Conclusion

The Indian CSR activities have been firmly confined to philanthropic activities. The businessman used to donate a part of their profit in freedom reforms and reinvested them in setting up new industries. Even today the CSR activities seems to revolve around mainly in educational sector and health sector with a little emphasis on, empowering women sustainable livelihood and infrastructure development. But what is required for the firms are that the firm should not through money just for the good sake of the society rather it should also benefit the firm. The initiative for this will be step towards strategic CSR which includes socially responsible investment. The means of communication through which firms communicate the public about the performance and their contribution to the society is not emphasized, which can make a difference. One major and prominent feature of Indian firms is the absence of stand-alone reporting practices in India but the content and information is limited. Although few Indian corporate are now increasingly adopting the GRI framework of reporting standard the number is limited to eight Indian companies which follow GRI guidelines. One major lag is environmental concerns by the firms and systematic formulation of Environmental Management System needs to be developed. CSR can have implications for government and civil society, so firms should began to think about the same.

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