

A STUDY OF BENEFITS DERIVED FROM CSR PRACTICES IMPLEMENTED IN LARGE-SCALE INDUSTRIAL UNITS

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ABSTRACT

Corporate Social Responsibility means an obligation to improve and protect both the welfare of society as a whole in addition to the interests of the organization. This means managing their business processes while taking into account their economic, social and environmental impact, and considering human rights. Thus, this paper examines the business advantages of corporate social responsibility practices. Previous studies were reviewed and it was revealed that several benefits are derived by organizations that practice corporate social responsibility. Several advantages were identified like: enhanced company and brand reputation, reduction in operation costs, attracting new customers, improves the company's public image, promotes long run profit, improved relations with the investors, vendors and community, better access to capital, enhanced employee relations, productivity and innovation and stronger relations within communities through stakeholder engagement. An ethical and socially responsible corporate behavior is always rewarded at some point or the other. The paper therefore concludes that businesses that carry out corporate social responsibility activities have a lot to benefit. Thus, it recommends that organizations should pay due consideration to corporate social responsibility and it should be practiced on a continuous basis. The business is surviving and breathing inside the society, so it has some responsibility towards society. Many social problems like lack of education, starvation, poverty, health issues, sanitation, animal protection, housing etc. have arisen out of this situation. Now the companies no longer regard profit as their sole purpose though it has helped many corporations to stay alive in the long term, but at the same time giving something back to the society wherein they operate.

Keywords: Corporate Social Responsibility, Obligation, Community, Ethical, Long run

Introduction

The conception of Corporate Social Responsibility (CSR) is not a novel phrase to India anymore. It emerged in India from the 'Vedic period' when historical events were not even recorded in our country. An ethical and socially responsible corporate behavior is always rewarded at some point or the other hence companies must behave accordingly. Nowadays, companies are performing much beyond the sole aim of economic gain. They are striving for helping the society in which they operate as well. Companies prefer to take up CSR initiatives so that its benefits can be reaped by their employees, or with the aid of their families or by the community in the vicinity of the location of the company. This offers the company an opportunity to redirect or commit some of its resources to the betterment and upliftment of the society, where they can visualize the benefits.

Initiating CSR activities gives a feeling of fulfillment to the company that it has done something good for a better and healthier tomorrow of the society. Even the employees of such a corporation are also motivated to participate in the social cause and do their part for the society. They are often feel pride for the company's involvement in the CSR initiative. This could effect in improved productivity. It is identified that, employees, who participate in the CSR initiatives, have increased level of commitment and they often get satisfaction in being a part of such a socially committed company. They earn respect from their customers and society. This generates an affirmative feeling amongst the employees.

A company that commits to developing a comprehensive CSR strategy can expect several benefits generating out of it. The major benefits which were identified are Improvement in customer loyalty, government relations, employee job satisfaction, financial performance, company's reputation, and brand awareness, relations with the suppliers, investors and community.

Literature Review

Agarwal & Agarwal (2013) in their article have focused on why CSR is significant for corporations? Why should the corporations contribute towards the Economic Development of the Country? The researchers make it clear that CSR is a very important element of progression because organizations need to take care of the communities in which they function, primarily those which are functioning in gramin or rural areas. CSR can be

beneficial for the corporations to build up their goodwill, take up social initiatives to distinguish themselves from their rivals, increase access to capital and markets, surge sales and profits, improve their reputation and brand image, enhance loyalty of the customers and also improve the job satisfaction level of the employees.

Asemah (2013) in their paper have examined the business advantages of CSR practice. On the basis of previous studies the authors have laid down several advantages viz., Enhanced brand reputation, reduction in cost of operations, attracting prospective customers, improved company's image in public, promotes long-run revenue, improved relations with the investors, better access to capital, enhanced employee relations, stronger bond within communities through stakeholder involvement and many more. This paper shows that organization that carry out CSR initiatives have a lot of benefits.

Carlsson & Richard (2008) in their study have found that a company involves in CSR initiatives so as to increase their economic performance, gain a competitive advantage, build their reputation and image in the society and also satisfy its customers as well as other stakeholders. Companies contribute in CSR initiatives mostly in the areas of environmental protection, donations, charity work and giving sponsorships. Their active participation will impact the company's overall performance more positively because customers give value to CSR activities. It also helps to improve the company's repute and brand image that could turn up in increased sales. Even the consumers are giving preference to products from CSR active companies.

Dharmapala (2017) in their research paper have analyzed the variations in CSR activities created by Section 135 of Indian Companies Act of 2013. According to Epstein-Reeves (2012), CSR is a path for companies to benefit themselves along with benefitting the society. Companies should adopt CSR practices due to 6 reasons. They are 1. Innovation - which means companies, should adopt products or processes which are sustainable, 2. Cost Savings Engaging in sustainability helps to cut costs, 3. Brand Differentiation it highlights the company's product from its competitors, 4. Long term thinking CSR practices give long term results, 5. Customer engagement – CSR is a new way to engage with your customers and 6. Employee engagement even the employees are happy to participate in the company's CSR drive.

Kanwal (2013), analyzed that CSR practices have an impact on financial performance of the companies. As the company increased spending on CSR the financial performance of the firm also enhanced. Hence companies should consider CSR as an investment and not expenditure.

Rajak & Mishra (2014) in their study found that Indian organizations have realized that they should not only monitor the economic dimensions of their company, but also work for Ecological, Environmental and Social impact, which are considered as the three pillars of CSR. They further added that CSR is the task of everybody i.e Business Houses, Government and Individuals. Most of the companies have made their Employee Welfare Performance as an element of CSR Initiative instead of contributing to the society. Hence, CSR must run into the core of all business ethics.

Sontaite & Petkeviciene (2012) in their article indicated that several authors have laid down a number of reasons as to why businesses are engaging in activities of social accountability. Some of the prominent reasons are improvement in financial performance, increase in market share, improved quality of the product, better corporate reputation, increased employee retention, and improvement in employee job commitment. Despite of all these reasons, the most sought after advantage for the companies is enhanced corporate reputation. This indicates that CSR has turned out to be the most significant drivers of corporate reputation. The reason for this is when CSR is divided into separate segments such as responsibility towards living beings, towards environment and towards society in general is bound to affect the corporate reputation in the long run.

Tandon (2007) in his study has focused on how CSR is a vital tool in the hands of companies and in what way it can be utilized for building companies societal image. He also emphasizes the rewards of CSR like creating a positive image of the company, improved employee trustworthiness, attracting right talent, etc. He has further laid down some suggestions to be followed while designing a CSR Campaign such as Do not contribute in too many causes, Do not frequently switch the cause that you generally support, choose a cause that perfectly matches with the overall core business vision and mission, help to promote the cause you have selected, tie up with groups and organizations that gives backing to your cause. Create motivational messages that will spread out to not just a few but to all the stakeholders.

Yadav (2014) in his study has revealed the impact of CSR on corporate reputation. The analysis tells that CSR not only strengthens the core business operations, but also helps to add value to corporate image alongwith cost and risk reduction. CSR helps in creating healthy competition with ethical base and directs the corporation

towards transparent disclosures which in turn helps to win their stakeholders. As an end result, it has positive impact on the financial performance of companies. The study also adds that CSR may develop positive relationship with their stakeholders which in turn create corporate reputation.

Hemingway (2002) in her article has suggested that Corporate Social Responsibility (CSR) can imply diverse things to different people. CSR is generally regarded as a multi-disciplinary subject and its definitions vary in regard to the perceived scope or boundaries of the corporation's responsibility. CSR can be interpreted as a modern-day expression of the concept of philanthropy or charity. It is argued that the formal adoption of CSR by the way of corporations can be related to the changing personal values of managers. Clear understanding of CSR can be enhanced if the values operating at an enterprise level, as well as at the personal level are researched.

Objectives of the Study

1. To study the benefits derived from the CSR practices implemented by the large-scale enterprises.
2. To know the Amendment made to Schedule VII of the Companies Act, 2013 (18 of 2013)

Research Methodology

The study was carried out with the objective to recognize the benefits derived by the companies after implementing CSR practices. The required information was collected through a detailed discussion with the concerned officials and from direct beneficiaries of the CSR initiatives implemented by organization.

Primary Data

The primary data required for this study was collected through a structured questionnaire. A comprehensive questionnaire was framed which mainly included closed ended questions as well as some open ended questions. The companies from three selected districts were sort listed on the basis of sampling technique. The researcher approached the CSR or HR Executives/Managers of the selected companies. A detailed interview schedule was planned for filling the questionnaire.

Secondary Data

The secondary data for the study was collected by physically visiting different libraries, referring to EBESCO online database. Various Online and Printed Journals, Magazines, Research papers, Proceedings of conferences and seminars, Annual Reports of Selected Organizations were also referred. Besides these sources Government Gazette, Websites of various companies and other online sources were also used.

Statistical Tools and Techniques Used for Analysis:

The primary data collected through structured questionnaire is classified, processed and projected into tabular form with the use of statistical tools like MS-Excel Application Software. This software was further used to draw graphs of data presented. SPSS Software is also used for testing of the hypothesis.

Sampling Technique

Stratified Random Sampling Technique was used in this research. The elements were selected on the basis of the districts.

Sample Size

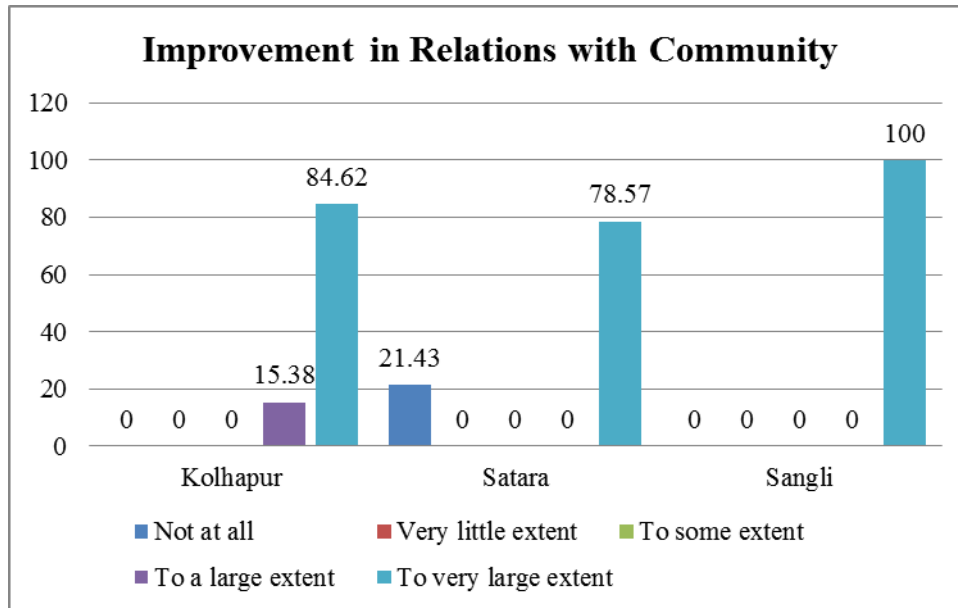
The total population of Large-scale Industrial Units located in Satara, Sangli and Kolhapur District under Manufacturing, Textile and Food Sector is 75. Out of this total population, only those Industrial Units were selected that are undertaking Corporate Social Responsibility Initiatives. Therefore only 35 respondents were selected from different sectors based on the above criteria.

Analysis of Data

Benefits derived from adoption of CSR Initiatives

| | Kolhapur | % | Satara | % | Sangli | % | Grand Total | % |
|----------------------|-----------|------------|-----------|------------|----------|------------|-------------|------------|
| Not at all | 0 | 0.00 | 3 | 21.43 | 0 | 0 | 3 | 8.57 |
| Very little extent | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| To some extent | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| To a large extent | 2 | 15.38 | 0 | 0.00 | 0 | 0 | 2 | 5.71 |
| To very large extent | 11 | 84.62 | 11 | 78.57 | 8 | 100 | 30 | 85.71 |
| Total | 13 | 100 | 14 | 100 | 8 | 100 | 35 | 100 |

Table 1. Improvement in Relations with Community



Graph 1. Improvement in Relations with Community

Interpretation

From the above table it is observed that only 15.38% respondents in Kolhapur District are of the opinion that CSR initiatives carried out by the company improves their relations with the community to a large extent and 84.62% respondents say that conducting CSR activities have made a very large positive impact on their relationship with community members.

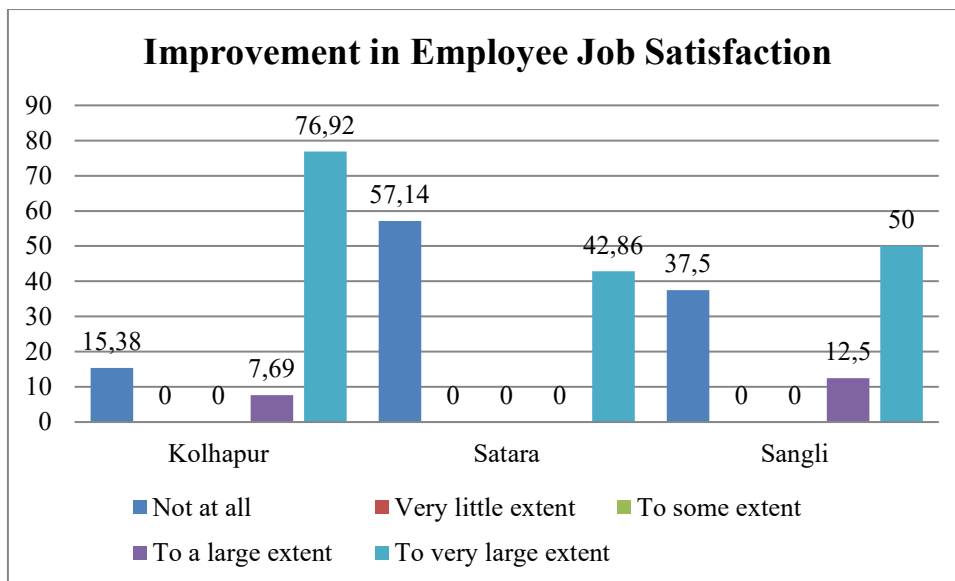
In Satara District, 21.43% respondents say that there is no affirmative improvement at all in the relations between the community and company who undertake CSR activities but 78.57% respondents said that there is improvement in relations with community to a very large extent due to the CSR activities conducted by the companies for the betterment of the community.

In Sangli District, 100% respondents are of the opinion that there is improvement in relations between companies and community to a very large extent after adopting CSR initiatives.

It is interpreted that most of the respondents are of the opinion that there is Improvement in relations with Community because of various CSR Initiatives, but a few respondents say that this benefit is not achieved by the company.

| | Kolhapur | % | Satara | % | Sangli | % | Grand Total | % |
|----------------------|-----------------|------------|---------------|------------|---------------|------------|--------------------|------------|
| Not at all | 2 | 15.38 | 8 | 57.14 | 3 | 37.50 | 13 | 37.14 |
| Very little extent | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| To some extent | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| To a large extent | 1 | 7.69 | 0 | 0.00 | 1 | 12.50 | 2 | 5.71 |
| To very large extent | 10 | 76.92 | 6 | 42.86 | 4 | 50 | 20 | 57.14 |
| Total | 13 | 100 | 14 | 100 | 8 | 100 | 35 | 100 |

Table 2. Improvement in Employee Job Satisfaction



Graph 2. Improvement in Employee Job Satisfaction

Interpretation

It is observed that 15.38% respondents in Kolhapur District say that there is no improvement in the job satisfaction level of the employees whose companies are engaged in CSR activities, 7.69% respondents say that there is improvement in employee job satisfaction level to a large extent when companies undertake CSR work and 76.92% respondents say that companies CSR activities improves the feeling of job satisfaction in the employees.

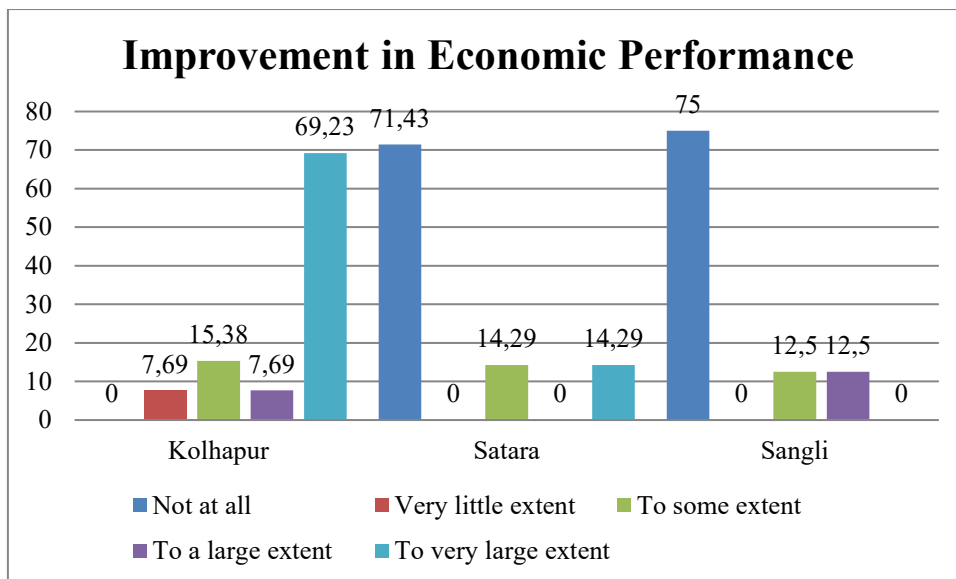
In Satara District, 57.14% respondents replied that the CSR activities of the organization does not show any improvement in job satisfaction level of the employees while remaining 42.86% respondents replied that companies which conduct CSR activities have shown that there is improvement in the job satisfaction of the employees.

In Sangli District, 37.50% respondents are of the opinion that CSR activities undertaken by the organization does not in any way improve the job satisfaction of employees, 12.50% respondents said that Socially responsible companies help to improve employee job satisfaction to a large extent 50% respondents say that there is improvement in Employee Job Satisfaction to a very large extent.

It is interpreted that out of the total 35 respondents in all three districts, 50% respondents are of the opinion that companies which carry out CSR initiatives show improvement in Employee Job Satisfaction level.

| | Kolhapur | % | Satara | % | Sangli | % | Grand Total | % |
|----------------------|-----------|-------|-----------|-------|----------|-------|-------------|-------|
| Not at all | 0 | 0.00 | 10 | 71.43 | 6 | 75.00 | 16 | 45.71 |
| Very little extent | 1 | 7.69 | 0 | 0.00 | 0 | 0 | 1 | 2.86 |
| To some extent | 2 | 15.38 | 2 | 14.29 | 1 | 12.5 | 5 | 14.29 |
| To a large extent | 1 | 7.69 | 0 | 0.00 | 1 | 12.5 | 2 | 5.71 |
| To very large extent | 9 | 69.23 | 2 | 14.29 | 0 | 0 | 11 | 31.43 |
| Total | 13 | 100 | 14 | 100 | 8 | 100 | 35 | 100 |

Table 3. Improvement in Economic Performance



Graph 3. Improvement in Economic Performance

Interpretation

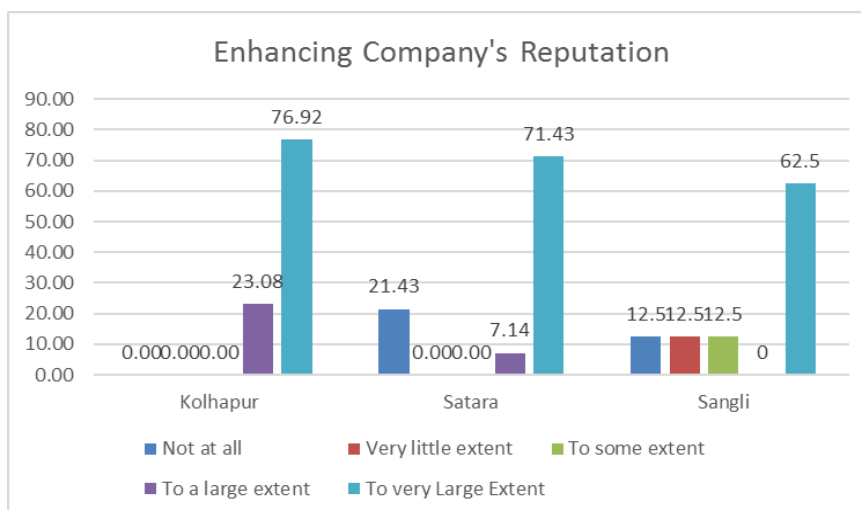
From the above table it is observed that 7.69% respondents in Kolhapur District, are of the opinion that CSR activities improves the financial performance of the company to a very little extent, 15.38% respondent say that this benefit is achieved to some extent, 7.69% respondents say the benefit is achieved to large extent and 69.23% respondents say that due to CSR activities the financial performance is improved to a very large extent.

In Satara District, 71.43% respondents said that CSR activities of the company do not make any improvement in economic performance, 14.29% respondents said that CSR activities improves the economic performance of the company to some extent while 14.29% respondents said that it improves the economic performance to a very large extent.

In Sangli District, 75% respondents are of the opinion that CSR activities carried out by the company do not make any difference at all on the economic performance of the company, 12.50% respondents replied that the CSR work carried out by the company improves its financial performance to some extent and rest 12.50% respondents replied that there is improvement in economic performance of the company to a large extent. Therefore, it is concluded that corporate social responsibility has positive impact on the financial performance of a firm.

| | Kolhapur | % | Satara | % | Sangli | % | Grand Total | % |
|----------------------|-----------|------------|-----------|------------|----------|------------|-------------|------------|
| Not at all | 0 | 0.00 | 3 | 21.43 | 1 | 12.50 | 4 | 11.43 |
| Very little extent | 0 | 0.00 | 0 | 0.00 | 1 | 12.50 | 1 | 2.86 |
| To some extent | 0 | 0.00 | 0 | 0.00 | 1 | 12.50 | 1 | 2.86 |
| To a large extent | 3 | 23.08 | 1 | 7.14 | 0 | 0 | 4 | 11.43 |
| To very large extent | 10 | 76.92 | 10 | 71.43 | 5 | 62.50 | 25 | 71.43 |
| Total | 13 | 100 | 14 | 100 | 8 | 100 | 35 | 100 |

Table 4. Enhancing Company’s Reputation



Graph 4. Enhancing Company's Reputation

Interpretation

From the above table it is observed that 23.08% respondents in Kolhapur District said that companies which practices CSR derive the benefit of enhancing its reputation to a large extent and majority of the respondents i.e. 76.92% respondents said that there is enhancement of company's reputation to a very large extent due to the CSR activities undertaken by the company.

The results in Satara District show that 21.43% respondents are of the opinion that there is no enhancement in the company's reputation to any extent even after carrying CSR activities by the company, 7.14% respondents say are of the opinion that there is enhancement in company's reputation to a large extent and 71.43% respondents have the opinion that the company's reputation is enhanced to a very large extent because of their CSR initiatives.

In Sangli District, 12.50% respondents say that there is no enhancement at all in the company's reputation because of their CSR activities, 12.50% respondents say that this benefit is achieved to very little extent, 12.50% respondents say that it is achieved to some extent and 62.50% respondents say that because of the company's CSR initiatives there is enhancement of their reputation to a very large extent. It is clear from the facts that majority of the respondent's i.e. 71.43% say that the reputation of the company is enhanced because of various CSR activities conducted by them, but few respondents say that this benefit is not achieved by the company.

Amendment made to Schedule VII of the Companies Act, 2013 (18 of 2013)

The historic Companies Bill, 2011 was introduced and passed in the Lok Sabha in December, 2012 and was granted assent by the President of India. The New Companies Bill has replaced the Companies Act, 1956. One of the key recommendations that have been induced in the New Companies Bill is the mandatory requirement for a certain class of companies to spend a minimum of 2% of their average profits in the preceding three years on Corporate Social Responsibility (CSR) related activities. With the passing of this Bill, India has become one of the few nations in the world which has a clause for mandatory spend on CSR. This New Companies Bill has made Indian corporations to focus on building the capability to formulate and implement a strong CSR Policy. The intent of the Act is to achieve social progress without disturbing profit motive for which companies should plan their social motive more strategically, systematically and thoughtfully.

Results

1. On the basis of the data analyzed it is clear that the term Corporate Social Responsibility is receiving importance day by day, because the companies that are implementing CSR Initiatives are deriving long-term benefits. Majority of the companies are focusing on CSR activities related to Healthcare, Education and Environment Protection. Various activities are conducted under these heads on a large extent.
2. It is seen from the study that out of the total 35 respondents in all three districts, most of the respondents are of the opinion that there is Improvement in relations with Community because of various CSR Initiatives. If companies get involved with the local community and have an open and honest conversation with them, it can create and promote a credible and trusted relationship, enhancing their support over the longer term.
3. The study reveals that, 57% respondents are of the opinion that companies which carry out CSR initiatives show improvement in Employee Job Satisfaction level. Companies have achieved this benefit through their socially responsible behavior.

4. It is clear from the facts that there is improvement in economic performance of the company to large extent. Therefore, it is concluded that corporate social responsibility has positive impact on the financial performance of a firm.
5. It is observed from the facts that majority of the respondent's i.e. 71.43% say that the reputation of the company is enhanced because of various CSR activities conducted by them. A good CSR program will always give good promotion and even act as an advertisement for the company, but for that it should be properly designed and made known to the public.

Conclusion

Corporate Social Responsibility is the universal subject matter these days as the profit-centered Organizations have a consideration for the environment, people and society at large. Business firms in western countries have procedural norms and policy frameworks to deal with the CSR activities, but in country like India, it is standardized by legal provision to perform CSR activities, still many companies take it as burden without reaping its future benefits. Therefore the researcher has conducted an in-depth study on the benefits derived after implementing of CSR activities by the Industrial Units. The major benefits which were identified are Improvement in customer loyalty, government relations, employee job satisfaction, financial performance, company's reputation, and brand awareness, relations with the suppliers, investors and community.

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