

# **Corporate Social Responsibility: a means for Inclusive Growth**

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## **Abstract**

Corporate social responsibility (CSR) is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is represented by the contributions undertaken by companies to society through its business activities and its social investment. An attempt has been made to analyse the current trend and status of CSR in Karnataka to understand its contribution towards inclusive growth. A survey of large scale units in Karnataka has been conducted. The findings of this study showed that corporates in Karnataka have positive attitude towards CSR and the extent of their involvement in CSR activities has improved. It is emerged from the survey that large scale companies in Karnataka have maintained their support for CSR initiatives. Although charity and micro finance registered less important among CSR initiatives, companies are putting effort into integrating CSR with their business strategy and expanding their support for education, health care and environmental sustainability initiatives. Greater amount of transparency and standardization may be brought in for CSR reporting by companies by introducing suitable amendment in relevant legislations by regulatory agencies. Government support in implementing CSR initiatives will be helpful for channelising private and public sector funds for planned development of the nation.

**Key Words:** Corporate Social Responsibility, Inclusive Growth, Social commitment.

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## **Introduction**

The present day businesses continuously innovate by introducing drastic changes in priorities and bringing consensus on critical success factors. Several such factors that had been put in the backburner by yesterday's managers were pushed to the limelight by today's businesses for survival and growth. The issue of stakeholder welfare is one of such factors that received greater attention from management all over the world. This has contributed to wide spread thinking about humanizing and democratizing the process of administration. One of the aspects that is thought of and refined more in the present context on stakeholder welfare is the concept of CSR. Every business organization is working out a model to implement their CSR initiatives according to the vision of their respective organization.

Recent decades witnessed the emergence of related CSR concepts such as corporate citizenship and corporate sustainability in the business domain. This has perhaps occurred in response to new challenges such as those emanating from increased globalization on the agenda of business managers as well as demand from related stakeholder communities. Thus, CSR has now become a part of both the vocabulary and agenda of business managers, academics, consumer groups, employees, suppliers, government, shareholders and investors.

Inclusive growth basically means, “broad based growth, shared growth, and pro-poor growth”. It decreases the rapid growth rate of poverty in a country and increases the involvement of people into the growth process of the country. Inclusive growth by its very definition implies an equitable allocation of resources with benefits incurred to every section of the society. But the

allocation of resources must be focused on the intended short and long term benefits of the society such as availability of consumer goods, people access, employment, standard of living etc. It sets a direct relationship between macro and micro determinants of the economy and its growth. The micro dimension includes the structural transformation of the society and macro dimension includes the country's gross national product (GNP) and gross domestic product (GDP). To maintain rapid and sustainable growth is some time very difficult this is because resources vaporizes during the allocation and may give rise to negative externality such as rise in corruption which is major problem in the developing nation. In order to achieve inclusiveness there requires multiple interventions, and its success depends not only on introducing new policies and government programmes, but also on institutional and attitudinal changes, which are highly time consuming. Concepts like corporate governance, CSR, financial engineering, business process restructuring and so forth captured the attention of Indian corporate and regulators in recent times.

An attempt has been made to analyse the current trend and status of CSR in Karnataka to understand its contribution towards inclusive growth. The progress towards inclusiveness in growth and development is the most difficult to assess, because inclusiveness is a multi-dimensional concept. The result of inclusive growth should be a reduction in the incidence of poverty, significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. There should also be an improvement in employment opportunities, increase in wage rates, betterment in livelihoods and improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. All these can be made possible through the social commitment of corporates through their CSR initiatives.

## **Objectives of the study**

- To identify the basic trends and status of corporate commitment to CSR in Karnataka.
- To track the key focus area of CSR initiatives of corporates in Karnataka.
- To understand the contribution of CSR towards inclusive growth.
- To know the reasons for implementing CSR initiatives.

## **Methodology**

The samples for the purpose of analysis were drawn from the address list contained in Federation of Karnataka Chambers of Commerce and Industry (FKCCI). Only large scale industrial units in Karnataka mainly engaged in either manufacturing or service activities and representing the private, public and multinational enterprises were chosen. A stratified disproportionate random sampling technique is adopted to choose the respondent companies in Karnataka. The survey was conducted between April and October 2011. The samples were drawn from six industrial sectors occupying pivotal positions in the economy representing Banking, Software, Automobile, Construction, Iron & Steel and Electronics sectors. The size of the sample is 63 comprising 10 from Banking, 13 from Software, 08 from Automobile, 09 from Construction, 07 from Iron & Steel and 16 from Electronics sector.

## **Data Analysis**

An inter sectoral study is attempted relating to involvement and importance of CSR initiatives of companies in Karnataka. These industrial segments occupy prime position in the industrial scenario resulting from their relevance and relative contribution to the economic development of

the country. An analysis of corporate commitment to CSR and reasons for implementing CSR initiatives is also made to understand the existing truth as far as CSR is concerned.

## Key Findings

It is emerged from the survey that all 63 companies have CSR initiatives.

Table 1: Involvement in CSR initiatives- Inter Sectoral Study

Sl.No.	CSR Initiatives	Banking	Soft ware	Automobile	Construction	Iron & Steel	Electronics
1.	Rehabilitation	✓	-	-	✓	✓	✓
2.	Child Welfare	✓	-	-	-	✓	✓
3.	Disaster Mgt.	✓	-	-	✓	✓	-
4.	Women Empowerment	✓	✓	-	-	✓	✓
1.	Livelihood Promotion	✓	-	-	-	✓	✓
6.	Slum Improvement	✓	✓	-	-	✓	-
7.	Charitable Events	✓	-	✓	-	✓	✓
8.	Micro finance	✓	-	✓	-	✓	✓
9.	Environment	✓	✓	✓	✓	✓	✓
10.	Education	✓	✓	✓	✓	✓	✓
11.	Health Care	✓	✓	✓	✓	✓	✓
12.	Sanitation	✓	-	✓	✓	✓	✓

Source: Compiled by the author.

Table 1 shows that companies in Karnataka undertake variety of CSR initiatives while pursuing their organizational goals. The diversification in CSR initiatives is evident from the range of

activities range displayed in the table 1. Among the 12 different CSR initiatives, Health care, education and environment are commonly pursued by companies across different sectors, whereas child welfare, disaster management, livelihood promotion and slum improvement have not received sufficient attention. It is also evident from the table 1 that CSR initiatives on sanitation, micro finance, charitable events, women empowerment and rehabilitation are also popular among companies. However the study revealed lack of consensus among the corporates regarding the activities to be undertaken on the CSR front which call for direction from policy makers.

Table 2: Relative Importance of CSR initiatives – Inter Sectoral Study

Sl.No.	CSR Initiatives	Banking	Soft ware	Automobile	Construction	Iron & Steel	Electronics
1.	Rehabilitation	85%	70%	66%	80%	90%	80%
2.	Child Welfare	80%	72%	64%	90%	84%	95%
3.	Disaster Mgt.	84%	88%	68%	88%	90%	90%
4.	Women Empowerment	83%	84%	80%	80%	80%	85%
2.	Livelihood Promotion	88%	72%	80%	80%	80%	95%
6.	Slum Improvement	70%	68%	72%	85%	83%	70%
7.	Charitable Events	68%	72%	80%	70%	76%	65%
8.	Micro finance	76%	76%	84%	65%	64%	60%
9.	Environment	72%	92%	96%	70%	96%	100%
10.	Education	96%	100%	96%	90%	84%	96%
11.	Health Care	100%	100%	96%	95%	92%	100%
12.	Sanitation	96%	88%	76%	80%	88%	95%

Source: Compiled by the author

Table 2 explores the relative importance of different items in the CSR portfolio of the companies in Karnataka. Data provided in the table will be helpful to make a study of the relative importance of various CSR initiatives at the inter sectoral level. It is quite clear from the table that there exists inter sectoral difference with regard to the relative importance of various CSR initiatives practiced by companies in Karnataka. Among the 12 different CSR initiatives, education and health care generally received top priority among companies at the inter sectoral level. The acceptability of health care ranges from 92% to 100% across different sectors of the industry. The importance placed for the next best priority initiative viz: education ranges from 84% to 100 %. Among the remaining 10 CSR initiatives Environment and sanitation received higher importance compared to other initiatives. CSR initiatives directed towards rehabilitation, child welfare, disaster management, women empowerment, livelihood promotion and slum improvement also received attention of companies across different industry groups except in the case of automobile sector the importance given to rehabilitation, child welfare and disaster management is comparatively less. With regard to other CSR initiatives such as charitable events and micro finance the importance attached by the companies seems to be less. This is mainly because the choice of the CSR initiatives is based on several factors that influence the sustainability of the companies.

Table 3: Basis of Corporate Commitment to CSR

Sl. No.	Basis	Percentage	Rank
1	Business Ethics	76.74	1
2	Corporate Governance	53.48	2
3	Sustainability	39.53	3

4	Philanthropy	37.20	4
5	Legal Compliance	32.55	5

Source: Compiled by the author

The results (table 3) showed that highest percentage of the respondents believe that Business ethics is the main factor in influencing the corporate commitment towards CSR initiatives. Corporate governance (53.48%) ranked second, sustainability and philanthropy ranked third and fourth respectively (39.53% & 37.29%). Legal compliance ranked least influential (32.55%) in determining the corporate commitment to CSR. These results show that corporates are undertaking CSR initiatives as a responsible corporate citizen not as a policy matter. CSR is now considered as a strategic weapon to ensure growth and survival. Unlike other strategic tools that focus internally, CSR is externally focused to ensure survival by maximizing stakeholder welfare.

Table 4: Reasons for Implementing CSR initiatives.

Sl.No.	Reasons	Percentage (%)
1.	CSR forms part of the organizations policy	84
2.	CSR enables the organization to be a good corporate citizen	97
3.	CSR provides transparency in the areas of environmental impacts and human rights	93
4.	CSR enhances organisation's corporate image	95
5.	CSR increases visibility as a community leader	91
6.	CSR ensures sustainable development of both the organization and the community in the long-run.	91
3.	CSR is a business obligation	63
8.	CSR contributes to welfare of employees	77



9.	CSR improves employee morale and commitment	84
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Source: Compiled by the author.

Table 4 shows that out of the 9 statements 5 statements had more than 90 percent agreement by the respondents in this study. Of the respondents, 97 percent agreed with the statement that “CSR enables the organization to be a good corporate citizen”. About 95 percent of them agreed with the statement that “CSR enhances organisation’s corporate image”. 93 percent of them agreed that CSR provides transparency in the areas of environmental impacts and human rights. Nearly 91percent of the respondents also agreed that “CSR increases visibility as a community leader and CSR ensures sustainable development of both the organization and the community in the long-run”. There was also high agreement on the statement that “CSR forms part of the organizations policy” (84%). Nearly 77 percent of the respondents agreed that “CSR contributes to welfare of employees” and 63 percent of the respondents agreed that “CSR is a business obligation”.

On the other hand, the results showed that respondents disagreed less than 10% as far as five statements are considered. But with regard to the statement “CSR forms part of the organizations policy and CSR improves employee morale and commitment” there was disagreement to the extent of 16%. Further, 23 % of the respondents disagreed that “CSR contributes to welfare of the employees”, while 37% of the respondents disagreed that “CSR is a business obligation”.

In recent years CSR has become a fundamental business practice and has gained much attention from the management of large companies. They understand that a strong CSR program is an essential element to be a good corporate citizen and enhances corporate image. Companies have

explored that their impact on the economic, social and environmental sector directly affects their relationship with investors, employees and customers. Although the prime goal of a company is to generate profits, companies can at the same time contribute to social and environmental objectives by integrating CSR as a strategic investment into their business strategy. A major challenge for companies today is attracting and retaining skilled workers. There is not only an image gain for the companies using CSR, but it is also important for the employees. Within the company, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety and managing change.

## **Conclusion**

The findings of this study showed that corporates in Karnataka have positive attitude towards CSR and the extent of their involvement in CSR activities has improved. It is emerged from the survey that large scale companies in Karnataka have maintained their support for CSR initiatives. Although charity and micro finance registered less important among CSR initiatives, companies are putting effort into integrating CSR with their business strategy and expanding support for education, health care and environmental sustainability initiatives. Companies prefer to undertake CSR initiatives more as a part of business ethics, corporate governance, sustainability etc. not for legal compliance. Among the companies surveyed only 6 companies have CSR policy. Majority of them have no plans of formulating a CSR policy. They understand that a strong CSR program is an essential element in achieving good business practices and effective leadership. Greater amount of transparency and standardization may be brought in for CSR reporting by companies by introducing suitable amendment in relevant legislations by regulatory agencies. Government support in implementing CSR initiatives will be helpful for channelising

private and public sector funds for planned development of the nation. Industrial growth with a firm commitment on social responsibility is an important component for inclusiveness in India.

**Scope for Future Research:** The study is related to the corporates in Karnataka. The future researches can be conducted in other parts of India. A comparative analysis of SME's (Small and Medium Enterprises) and large scale units can be made as far as CSR initiatives and their contribution towards inclusive growth. A study can also be made to know the contribution of the various sectors of the economy taking into consideration a particular CSR initiative.

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