Information And Technology Sector – A Champion In Corporate Social Responsibility (CSR): Myth or Reality

Ruchi Tewari
IBS, Ahmedabad

Abstract. This paper studies the contribution of corporate social responsibility (CSR) of the IT sector in India. The IT sector has grown at a high pace in the Indian business environment but it has also been blamed for affecting the environment and the lives of many citizens. The CSR activities in the modern corporate affairs have been identified as a very important practice for Indian companies due to the impact of increased revenue, thanks to the globalization. This study has taken five sectors into consideration - cement, steel, oil and banking along with IT. A comparative analysis was used to find the sector that is involved the most in the CSR initiative and the dimensions, and where companies need to re-assess their CSR strategies.

In India, a surging rise in the growth of the economy has been seen over the past decade and a half and a lot of it is attributed to the boom in the Information and Technology (IT) and Information and Technology Enabled Services (ITES) sectors. The country has witnessed this since the government opened the doors of the economy to the forces of globalization, after lowering government regulations in the country and downsizing barriers to foreign investment in the early 1990s. The government deliberately targeted the export-oriented IT services sector for growth, giving it special subsidies. India therefore became a hub of IT services, when a few major Indian companies like Wipro, Infosys, TCS, HCL, Satyam, etc., established themselves on the global stage as key players in the ITES segment offering the best match to what the other companies in developed nations of the world had to offer. Therefore, the IT sector in India has been spearheading the economic development process. Within the span of about two decades, the Indian IT industry has emerged as one of the key drivers of the Indian economy. In 2005-2006, 3% of India's GDP came from the IT sector and it employed close to 4 million people. The industry is estimated to be growing at a compounded annual growth rate of nearly 2% per annum with the aggregate turnover estimated to reach over USD 100 billion by 2010 (Nasscom, 2007). To take advantage of the situation several multinational companies rushed to set up offices in India. As per the BBC 'One Minute Report' on 24th January, 2007, 'there are more than 500 major international companies that have IT operations in Bangalore alone. Several multinational giants like Hewlett-Packard, Dell, IBM, and Accenture are operating with there bases in India.’ The Indian IT companies have operations overseas. The IT and ITES industry represents not only global traffic in goods and services but also ideas. It has been a champion in heralding activities directed towards a social cause which in business understanding is corporate social responsibility (CSR).

The term Corporate Social Responsibility (CSR) has become a part of the business lingua amongst commercial circles of India. Business activity in the developing nations across the globe has realized the need for business to respond to the needs of the environment in which it operates and therefore to accept social responsibilities for stable and sustainable development.
The prime reason for involvement of business in developmental causes beyond economics is that business is a multi-operational activity with various agencies as stakeholders governments through chartering and ensuring implementation of effective rules and policies, conscientious consumers who demand and consume an ethical product, astute suppliers, punctilious employees who lay faith in their companies social projects, responsible investors and self-effacing entrepreneurs. Therefore, economic activity as a whole and business houses in particular are seen as forces primarily responsible for exacerbating the deteriorating position of the resources employed – both human and nature-based raw material.

**What is CSR?**

CSR as a concept has undergone drastic changes in nomenclature to match the varying orientation of the term and so the term has undergone significant evolutionary development. CSR in theory and practice falls within the realms of various fields of study like sociology, social work, economics, public administration, environmental studies and academics. The diverse and prolific contributions from the various fields has not only enriched but has also led to controversies and confusions. As Votaw and Sethi (1973) put it, “the term (social responsibility) is a brilliant one, it is something but not always the same thing, to everybody. To some it means socially responsible behavior in an ethical sense; to still others the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with 'charitable contributions'; some take it to mean socially conscious or 'aware.' Many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid. A few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen at large.

The term CSR has been defined differently and variedly over a period of time and has had various shades of understanding across commercial activities in different geographic locations. Therefore, CSR lacks any definitive and tight definition primarily because this concept has evolved differently and has had varied forms of existence in different places and business activities. Carroll (1999, 1998, 1993, 1991) was a seminal contributor to “modern” CSR theory with later contributors including authors such as Jenkins (2006, 2004), Fuller and Tian (2006), Maignan, Ferrell, and Ferrell (2005), Matten and Crane (2005), Maignan and Ferrell (2001), Garriga and Mele (2004), Lantos (2001) and Thompson, Smith and Hood (1993). The broad understanding is that it is the scope and the kind of social and environmental obligations which corporations may consider while executing and operating their routine business practices (Shamir, 2005).

The following definition by Lord Holme and Richard Watts, is most widely accepted and suits the context of our study most appropriately: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large", in 'Making Good Business Sense' report at the World Business Council for Sustainable Development website.

For the purpose of this study the understanding of the concept of CSR will be based on Karmayog’s understanding of CSR. Their notion of CSR emanates from the core belief that 'Every company harms the environment and people.' CSR is thus just about two aspects: (a) The
steps taken by a company to neutralize, minimize or offset the harmful effects caused by its processes and product-usage. (b) The further steps a company takes using its resources, core competence, skills, location and funds for the benefit of people and the environment. CSR thus helps to define the contribution of a company beyond economic value and creating employment, and weighs this contribution against the damage done by the company through its products and processes. This understanding of CSR is closely related to Carroll's definition and explanation of CSR through the 'Pyramid of Social Responsibility' where he elaborates four distinct stages of business – Economic, Legal, Ethical and Philanthropy (Carroll, 1991).

Economic component includes the responsibility that the business should perform in such a manner that it maximizes earning per share and remains as profitable as possible so as to maintain its competitive position and high level of operating efficiency. The legal responsibility demands that the conduct of business be such that it conforms to the expectations of the government and law, comply with the federal, state and local regulations, be a law abiding corporate citizen such that the firm fulfills its legal obligations. The responsibility at the ethical stage is adherence to normative rules of justice and fairness, which may not have been codified as law but are yet expected or prohibited by society. This would include an ethical treatment of the various stakeholders. The philanthropic responsibilities include being a good corporate citizen such that the business gives back to society and the various stakeholders. This incorporates engagement in activities and programmes that include and lead to human welfare and goodwill. Philanthropy is the most discretionary function of business though the expectations from society are always there.

CSR in India

The practice of considering business responsible to its various stakeholders has long been a part of the Indian business tradition even before the advent of the Industrial revolution in India, though it differed in its nature and the manner in which it is defined today as CSR. Researchers argue that the idea of voluntary response of corporate in social well-being is as old as business itself (Vardarajan and Menon 1988). The philanthropy researcher, Sundar (2000) traces the history and presents a detailed account of the philanthropic involvement of business activity in India against the economic, social political and cultural developments in the country. First, philanthropy in India is largely a story of Indian businessmen, as historically women did not play a very important a role in business philanthropy. Second, it is a story of indigenous rather than expatriate business. Even though foreign businesses have had a major presence in India, their aim has been profit maximization rather than the development of the country. The exceptions are some organizations that have been present in India over a longer period of time and which have become more or less “Indianized”. Third, as in most of Asia, philanthropy is largely a story of family businesses.

Despite these distinctive features, there are some similarities between the development of modern philanthropy in India and the West. Driving forces, such as religious beliefs and sentiments associated with capital accumulation, industrial wealth and the resultant social consequences, hold true for India as for countries in the West. Moreover, the corporate philanthropy vehicles in India, such as the trusts and foundations, closely resembled what had been the norm in Western countries and elsewhere. However, similarities aside, the fact remains that the form philanthropy takes in any society depends upon a nation's unique history,
culture, traditions and economic and political situation.

In India, corporate philanthropy has been the most prevalent and well-accepted form of executing social responsibility. However, corporate philanthropy is no longer considered an adequate response to demands for social responsibility, given its limited rationale and scope. The term CSR, is usually taken to include environmental, social and human rights-based impacts and initiatives of companies (Ward and Fox 2002), and in many countries—both industrialized and developing the concept and practices are taken seriously (Hopkins 2003).

The practice of CSR in India got a new dimension after globalization, both in terms of the way it is executed and by agencies that practice it. The impact of increased revenues pocketed by way of globalization brought many big corporatios under the surveillance of the now active and vigorous NGOs and media. It has been predicted that in the times to come companies will be “judged more by their social policies than on their delivery of products and services” (Juholin, 2004). Hence, many companies realizing the imperativeness, volunteered to march on the beats of CSR. CSR has now been accepted as an ongoing activity in sync with that of the business rather than an occasional affair to vitalize the corporate reputation.

Looking across the current practices of leading Indian corporations, a number of core elements emerge:

Community development: Most large companies either have their own foundations or contribute to other initiatives that directly support the community upliftment, notably in health, education, and agriculture.

Environmental management: Environmental policies and programmes are now standard, and many companies have implemented the ISO 14001 system throughout their businesses.

Workplace: Growing out of long-standing commitments to training and safety is a more recent emphasis on knowledge and employee well-being. (TERI 2004)

The companies which had a higher exposure to the market in the west reflected a larger commitment and rigorous faith in the practice of CSR. One such sector is the information technology (IT) and IT enabled services (ITeS). The Indian economic map, post globalization, has seen a very prominent presence of the IT and ITeS companies most of which have met the west-driven economic challenges and have coped with the needs of their western world-based customers. ITeS as a sector has an estimated contribution of 7% towards the Indian GDP. This sector includes pioneers of leadership in India, for instance Mr. Ratan Tata, Chairman Tata Group, a huge Indian conglomerate with its presence in ITeS through TCS, Mr Narayan Murthy, the ex chairman of Infosys, Mr Azeeem Premji, of Wipro etc. However, it has also been an IT company that has exposed the misdoings of the corporate to the greatest extent and has put the IT sector under the scanner of all agencies of business ethics and corporate governance. The CSR initiatives of most of the companies in the IT sector have been brought to public attention and they have not stayed introvert about it. This in turn has enhanced awareness even amongst the other organizations. Thus, there arises a debate about the acknowledgment of IT industry as a champion heralding the CSR commotion in India. Hence, this study investigated...
whether IT industry is a real victor or is everyone blinded by a mirage of such a championship.

The industries which have a fair potential to affect the community, environment and its own workplace were chosen for the comparative study of CSR. Activities with respect to that of the CSR definition and logic of Karmayog, the Indian CSR rating agency, were analyzed for cement, steel, oil and banking industries, along with IT.

**Objective**

The key objective of the study was to explore whether the IT sector was a champion in the field of CSR. It would help decide whether it is a reality or a myth. Further, the study would help bring out the other industries which are involved in socially responsible deeds but have failed to make an impression and convey themselves as propagators of socially responsible behaviors. A comparative analysis would help bring out the sector which is involved most deeply into CSR and the dimensions where company's need to reassess their CSR strategies.

**Method**

To meet the objectives of our study, 25 companies were chosen—the top 5 Companies according to the market standing from the following 5 sectors: steel, cement, oil, banking and IT. To ensure that the comparison of CSR involvement was as complete and holistic as possible the following four key parameters were taken up.

1. The ratings given by Karmayog. (See Appendix 1)
2. Their budget allocation towards CSR activities. (Data both from Karmayog and the company website were gathered.)
3. Their disclosure on websites and annual report (to understand the inclination of the company towards CSR). The companies which attempted at communicating CSR to their stakeholders used their websites and annual reports to disclose their CSR attempts. Higher disclosure meant better integration of CSR as a part of corporate strategy. If the answer was “Yes”, “1” point was given and if the answer is “No”, “0” point was allotted.)
4. Their areas and activities of involvement in executing their CSR. Each area of CSR activity in which the company was involved was given 1 point and therefore the more the number of areas of CSR involvement a company had the higher the score. The entire gamut of activities was clubbed under five heads—health care, education, environment, community welfare and infrastructure. Therefore, the maximum points that a sector or a company scored were 5.

For each parameter the sectors would be ranked. First place was assigned for the best performance and accordingly higher ranking in respect of their performance. Finally, a cumulative table would reflect the ranking of each sector and on every parameter, wherein the lower the total score is, the better the performance of the sector. This would help conclude whether the IT sector is a champion in CSR or not.

The choice of the sectors was intentional, primarily because they cover the entire gamut of business activities—production to services and in all the sectors, and the focus of their key economic activity makes indulgence in CSR, good business sense.
**CSR Performance of Cement Sector**

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Karma Rating</th>
<th>Budget Allocation</th>
<th>Communication on Website &amp; Annual Report</th>
<th>Areas of Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grasim Industries</td>
<td>2</td>
<td>Minimum CSR Spend-0.2% of income (in Cr) as per Karmayog. No Information available on website &amp; annual report.</td>
<td>Websites and annual report</td>
<td>Health Care, Education, Sustainable Livelihood, Women Self-Help Groups, Social Welfare, Infrastructure, Environment protection</td>
</tr>
<tr>
<td>Ambuja Cements</td>
<td>2</td>
<td>Rs 3 crore-5 crore it mobilizes every year which comes from GAC and the rest from the government and other trusts.</td>
<td>Websites</td>
<td>Making way for a vibrant and dynamic neighboring community, raised the water table to a whopping 25 feet in Rajasthan; Alternate livelihoods: Skill enhancement for a brighter future; Village self-reliance: New inroads into community health, waging a war for an AIDS-free supply chain; School Education Programmes: A ticket to a brighter future; Manovikas Kendra: Reaching out to special children, empowering women to take on new community projects</td>
</tr>
<tr>
<td>India Cements</td>
<td>0</td>
<td>Not provided</td>
<td>Nowhere</td>
<td>NO</td>
</tr>
<tr>
<td>Dalmia Cement (Bharat)</td>
<td>2</td>
<td>Minimum CSR Spend-0.2% of income (in Cr) as per Karmayog. No Information available on website &amp; annual report.</td>
<td>Websites</td>
<td>Dalmia Cares, Environment, Employee Well-Being, Community Outreach, Water Management for local community, Assistance for religious and Infrastructure, Health Programs, Rural Sports Promotion.</td>
</tr>
</tbody>
</table>

Opinion about the cement industry has been very divergent; this sector has often been criticized and it has come under the scanner as a big source of pollution and a major contributor to environmental imbalance and hazards. The Head of the GRP and Associate Director, Centre for Science and Environment (CSE), in an interview in Business & Economy stated that, “One
simply cannot use the term sustainable for the cement industry, since it doesn't fulfill the requirements of environmentally sustainable industry. Raw material it uses is non-renewable and its produce is non-recyclable.” (IIPM)

**CSR Performance of the Steel Sector**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>RATING (OUT OF 5)</th>
<th>BUDGET ALLOCATION</th>
<th>DISCLOSURE IN WEBSITE OR ANNUAL REPORT</th>
<th>AREA OF FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata Steel</td>
<td>4</td>
<td>Minimum CSR spend – 0.2% of income in crores. No Information available on website &amp; annual report.</td>
<td>Website and annual report</td>
<td>Rural Health</td>
</tr>
<tr>
<td>SAIL</td>
<td>2</td>
<td>Minimum CSR spend – 0.2% of income in crores. No Information available on website &amp; annual report.</td>
<td>Website and annual report</td>
<td>Education Woman upliftment</td>
</tr>
<tr>
<td>ISPAT</td>
<td>2</td>
<td>Minimum CSR spend – 0.2% of income in crores. No Information available on website &amp; annual report.</td>
<td>Website and annual report</td>
<td>Water Schools</td>
</tr>
<tr>
<td>ESSAR</td>
<td>2</td>
<td>Minimum CSR spend – 0.2% of income in crores. No Information available on website &amp; annual report.</td>
<td>Website and annual report</td>
<td>Infrastructure Education</td>
</tr>
<tr>
<td>JINDAL STEEL</td>
<td>2</td>
<td>Minimum CSR spend – 0.2% of income in crores. No Information available on website &amp; annual report.</td>
<td>Website</td>
<td>Infrastructure Education Medical</td>
</tr>
</tbody>
</table>

Steel industry is associated with mining activities, which are usually located in relatively underdeveloped regions of the country, dominated by underprivileged and tribal population. This gives the industry a due and a natural responsibility of looking after the needs of the local population and acting as a facilitator for social development. Corporate Social Responsibility (CSR) assumes a significant role in this area. All profitable PSUs have made commitments to the cause of CSR and have earmarked at least 2% of their distributable surplus for CSR activities. The total budget allocation for CSR in respect of all PSUs for 2007-08 is around Rs. 230 crore. The CSR activity is focusing on environment, family welfare, education, health, cultural development as well as building social infrastructure, water supply and sanitation activities. The PSUs also did commendable job in taking active part during devastating flood in some parts of U.P. and Bihar during last year. The involvement of the steel sector is generally into infrastructure and education. The companies involved in steel are proactive and communicate their CSR activities on the websites.
CSR Performance of the Oil Sector

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>RATING (OUT OF 5)</th>
<th>BUDGET ALLOCATION</th>
<th>DISCLOSURE IN WEBSITE OR ANNUAL REPORT</th>
<th>AREA OF FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Oil Corporation Ltd</td>
<td>2</td>
<td>Annual expenditure up to 0.75% of the net profit of previous year incurred towards donations / contributions which includes yearly contribution of Rs.10.00 crore for Indian Oil Foundation.</td>
<td>Annual report and website</td>
<td>Sharing Profits, Community Development, Scholarships, Indian Oil sports scholarship Indian Oil foundation</td>
</tr>
<tr>
<td>ONGC</td>
<td>N.A.</td>
<td>0.75% of net profits</td>
<td>Website</td>
<td>Reconstruction, rehabilitation, restoration work, Relief and Rehabilitation of Gujarat earthquake victims, Water Management, PURA - Providing Urban Amenities to Rural Areas</td>
</tr>
<tr>
<td>Bharat Petroleum Corporation Ltd</td>
<td>3</td>
<td>N.A.</td>
<td>Website</td>
<td>Fresh drinking water, sanitation facilities, medical facilities, enhancing their income standards by imparting vocational training and agricultural innovations</td>
</tr>
<tr>
<td>Reliance Petroleum Limited</td>
<td>N.A.</td>
<td>N.A.</td>
<td>Not disclosed</td>
<td>Social Responsibility and Community Development</td>
</tr>
<tr>
<td>Essar Oil Ltd</td>
<td>2</td>
<td>N.A.</td>
<td>Not disclosed</td>
<td>Community and Social Development, Educational, Infrastructures, Socio-Economic</td>
</tr>
</tbody>
</table>

The oil industry is linked with the use of fossil fuels, which has major environmental challenges not only in India but globally as well. Like most other sectors, the oil sector is committed and has taken steps towards establishing a sustainable society though it has rather remained controversial and its CSR attempts have been understood variedly—it has inspired and impressed some, and irritated others. The activities targeted at for CSR are broad but the disclosure is low both about the budget they allocate for CSR as well as the reporting about CSR activities.
CSR Performance of the Banking Sector

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>RATING (OUT OF 5)</th>
<th>BUDGET ALLOCATION (Minimum CSR spend – 0.2% of income in crores)</th>
<th>DISCLOSURE IN WEBSITE OR ANNUAL REPORT</th>
<th>AREA OF FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC Bank</td>
<td>3</td>
<td>No Information available on website &amp; annual report.</td>
<td>Website</td>
<td>micro finance, childline, disaster</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>3</td>
<td>No Information available on website &amp; annual report.</td>
<td>Website</td>
<td>elementary education, health at birth</td>
</tr>
<tr>
<td>Kotak Mahindra Bank</td>
<td>0</td>
<td>No Information available on website &amp; annual report.</td>
<td>No</td>
<td>N.A.</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>0</td>
<td>No Information available on website &amp; annual report.</td>
<td>No</td>
<td>N.A.</td>
</tr>
<tr>
<td>SBI</td>
<td>0</td>
<td>No Information available on website &amp; annual report.</td>
<td>No</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

With the banking industry opening to the society and getting more service-oriented, it has become a pressing need for the banks to involve in social responsibility. Further, with the advent of the foreign banks and growing competition amongst the Indian banks as well, attempts at CSR make better business sense and can provide the edge which one bank needs over the other. The Indian banking industry is poised and balanced such that it has an almost equal presence of PSU as well as private players. This builds a strong case for the probable purposes and reasons for the banks in India to involve themselves in social responsibility. However, a glance at the CSR performance of the banks clearly reflects that CSR is still very nascent and has not got its roots in this sector. There is a dismal picture in all the 4 parameters. As against the other sectors, the CSR involvement in this sector is very low and unimpressive.

CSR Performance of the IT Sector

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>RATING (OUT OF 5)</th>
<th>BUDGET ALLOCATION (Minimum CSR spend – 0.2% of income in crores)</th>
<th>DISCLOSURE IN WEBSITE OR ANNUAL REPORT</th>
<th>AREA OF FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infosys</td>
<td>4</td>
<td>14 Crores</td>
<td>Website &amp; Annual report</td>
<td>Education, Health, Community, Art, Social rehabilitation and rural upliftment</td>
</tr>
<tr>
<td>HCL</td>
<td>0</td>
<td>3 Crores</td>
<td>Website</td>
<td>None</td>
</tr>
<tr>
<td>Satyam</td>
<td>3</td>
<td>7 Crores</td>
<td>Website</td>
<td>Education, IT, Investing in society, Transforming lives</td>
</tr>
<tr>
<td>TCS</td>
<td>2</td>
<td>16 Crores</td>
<td>Website &amp; Annual report</td>
<td>Environment, Education, Employees, Management, Workplace, Child future</td>
</tr>
<tr>
<td>Wipro</td>
<td>3</td>
<td>15 Crores</td>
<td>Website &amp; Annual report</td>
<td>Education</td>
</tr>
</tbody>
</table>

The Olcott Memorial School in Besantnagar
Makkala Jagriti - Wipro Cares Learning Centre
Summer Camp for Children
Providing Basic Infrastructure at the School
There is a rapid adoption of CSR in India's burgeoning IT industry. Managers and CEOs see that CSR is not only helping Indian society but their businesses too. By giving members of the community training, skills, techniques and tools to create social and economic opportunities, CSR programs can transform communities and allow business to grow. In today's scenario, the companies are adopting CSR as a strategy; the involvement and approaches show how IT companies' concerns with waste management and supply chain have transformed the Indian IT industry and the environment in which they operate. IT plays an important function in improving the companies environment credentials. Right 'people' and right 'Infrastructure' drives the IT sector. Thus, ITeS is an upright consumer of utmost vital resources; human and capital.

It was observed that education as a CSR initiative formed a part of the CSR activities of many of the IT Giants. Waste management as an activity is gaining momentum under the blanket of responsibility towards the entire globe with respect to the alarming global warming crisis.

On studying the top IT companies we observe that IT companies are very serious about their CSR activities, their ratings, their area of focus on CSR activities and their disclosures about their budget allocation towards CSR and disclosure on websites and annual report.

**CSR Performance on the basis of Ratings by Karmayog:**

![Graph showing CSR performance]

On the basis of the ratings given by Karmayog it is observed that the IT companies enjoy highest ratings though a company is also rated 0. Apart from the IT sector, the steel sector also performs well. The performance of the banking sector is most miserable and they need to make serious attempts to enhance their CSR deeds. A cumulative picture reflects that the IT industry and Steel sector have a similar performance though the IT sector distinctly stands out. Their total score equals the steel sector because HCL received 0 points which lowers the cumulative score of the sector.
CSR Performance on the Basis of Budget Allocation:

The transparency in disclosure of the CSR budgets is the highest in the IT companies, which make this information public both on their websites and on annual reports. As against this, the steel sector does not pay heed to this aspect and information regarding budget allocated to CSR is missing and blurred. With the growing importance of corporate governance, this facet of CSR needs attention. Therefore if we rank the five sectors on the basis of the budget allocated, the IT sector stands out as a distinct leader and can be ranked number one.

CSR Performance on the Basis of their Disclosure on Websites and Annual Reports

The disclosure about CSR activities to the stakeholders and making public the details about CSR activities, is done best by the IT sector. All the five companies talk at length about their CSR on both their websites as well as the annual reports. The information disclosed is not only explicit but effective in communication as the use of pictures, videos and audios is also done. Further, three of the five companies have a separate CSR/ sustainability report as well. Similarly, the steel sector is also making very proactive attempts at disclosing CSR-related information, though details about budget related information is distinctly missing. The content
and delivery of the CSR related information about the steel industry is also effectively done. The banking industry lags behind severely in this aspect as well with a slightly better performance by the oil sector. To rank the five sectors, the steel and the IT sector stand first followed by the cement, oil and banking industry.

**CSR Performance on the Basis of Number of Areas of CSR Involvement:**

The band of activities covered is broadest with respect to the IT sector. The IT sector has a good intervention in terms of their CSR activities in various areas. HCL is the only company which lacks a focus area and has very generic and loose activities under its CSR head. The cement industry closely follows as 4 of the 5 companies score more than 1 point. The steel industry has a high budget allocation and communicates its activities effectively as well but has a limited focus in terms of the areas of activities. The performance of the oil sector falls below the steel sector and lastly it is the banking industry.

**Cumulative Ranking of the Five Sectors on the Selected Four Parameters:**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Parameters of Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rating</td>
</tr>
<tr>
<td>IT</td>
<td>1</td>
</tr>
<tr>
<td>Steel</td>
<td>1</td>
</tr>
<tr>
<td>Cement</td>
<td>3</td>
</tr>
<tr>
<td>Oil</td>
<td>4</td>
</tr>
<tr>
<td>Banking</td>
<td>5</td>
</tr>
</tbody>
</table>

The IT sector distinctly emerges as a champion in not only adopting CSR but also in managing it. It stands out and ranks 1 in all the four parameters selected for judging the CSR performance of the various sectors. This clearly depicts that CSR is well integrated as a part of the business strategy of the IT sector because of which it enjoys the reputation of being a CSR champion. Several institutionalized attempts by bodies like NASSCOM have helped to promote CSR activities and encourage young corporate houses in adopting it. It acts as a
facilitator in furthering CSR within the sector and ensures effective communication as well. Service-driven sector with a customer driven face like the banking sector lags far behind in making CSR a part of business strategy. Though banks like HDFC and ICICI do have a CSR plan, yet the sector needs to relook and understand the business benefits and advantages of CSR.

Limitations

Since the source of rating of CSR used is Karmayog, all limitations in its rating process will affect and apply to the study.

The depth of the CSR activities is considered only through the budget allocation wherein, in some sectors, the information could be gathered through their website and annual report only.

To discern the width of CSR involvement, only areas of focus were considered.

The duration or length of the involvement in CSR is not considered because the history of existence of each company varies, and therefore the duration or history was eliminated as a factor for analysis.
References


Appendix 1

www.karmayog.org is a unique free platform for concerned citizens - for social and civic issues - since June 2004. Karmayog provides a networking platform for ordinary citizens and NGOs to engage with government organizations and media, as it believes that citizen's viewpoints are necessary for holistic and doable solutions for social and civic problems.

About the Karmayog CSR Ratings

1. The Karmayog CSR Ratings are from 0 to 5 (5 being the highest).

2. The CSR rating and reach of every individual company is given in www.karmayog.org/redirect/strred.asp?docId=9041 along with the CSR focus areas, specific CSR activities, sales, profit, and recommended amount to be spent on CSR.

3. A note on the parameters for the Karmayog CSR Rating of India's top 500 companies is available at www.karmayog.org/CSR/CSR_9860.htm

4. The list of 500 companies is taken from Dun & Bradstreet's 2006 edition of 'India's Top 500 companies'.

5. Ratings are based on information from the company's website and latest annual report.

Great Lakes Herald Vol 4, No 1, March 2010 - Page 28 -
6. All companies were emailed about their CSR activities and their rating as posted on Karmayog & invited to respond.

*Parameters of the Karmayog CSR Rating*

1. Products and Services: The subjective rating (0-5) is based on the Company's main products/services.

2. Need of Society: If the product/service offered is not needed by society, then the Karmayog CSR rating = 0.

3. Zero Rated Products: Companies which make the following are given a Zero Karmayog CSR rating:
   - cigarettes and tobacco based products
   - liquor companies

4. Must-do CSR: Every Company degrades the environment, just as every individual does. Hence, every Company must be working to reduce environmental degradation, and to rejuvenate the source/place from where it uses resources or operates. To get a Karmayog CSR rating of even 1, a Company must be engaged in environmental work that rejuvenates and restores the damage done.

5. Least harmful process: The process followed in the making of that product or delivery of that service is considered while assigning the rating of a Company. The process followed should be one that does the least harm. (apart from the mandatory regulations and laws in place)

6. Impacts of usage: The implications of the usage of the product/services are considered while assigning the rating of a Company. (Pollution, environmental degradation, waste generation, etc.)

7. Harmful products: Companies which engage in the following processes extensively damage the environment. Hence a Karmayog CSR rating of not more than 2 can be given to them, even if they are doing extensive work under CSR.
   - Mining
   - Aviation
   - Thermal power generation
   - Cement manufacture
   - Automobiles, auto parts, tyres manufacture
   - Paper, forestry based products manufacture
   - Iron and steel manufacture

9. Minimum CSR Spend: A company must spend an amount equivalent to at least 0.2% of its sales for CSR activities. Such an amount provides an idea of the magnitude of CSR that can be done by a Company. If a Company does not spend this minimum amount, then a zero or low Karmayog CSR rating would be given.

10. Employee participation and volunteerism: This factor has not been a deciding factor in the Karmayog CSR rating as it is more
important for the Company as a whole to have a defined CSR philosophy which it
practises. Within such a set-up, each employee will be a more sensitised participant, and
will hence be contributing towards the CSR objectives of the Company. This is a far more
effective, and long-lasting method of practising CSR as compared to employee pay-roll
giving and volunteerism, which is often not voluntary and is usually also temporary.

11. Reach of CSR Activities:
A second rating has also been carried out simultaneously to determine the extent of
impact that a Company's CSR activities has. Accordingly, a company would be assigned
either “a”, “b”, or “c” where a = CSR activities involving employees only, b = CSR
activities in the immediate physical vicinity of the Company's operations and c = CSR
activities involving the larger community and society as a whole.

12. Social Banking and Social Responsibility: Banking, Insurance and Finance sectors tend
to get rated higher because of the nature of their work. However, engaging in micro-
finance and rural banking does not automatically mean good CSR practice, as often what
is termed as “social banking” is just a simple extension of the customer base and business,
and is also part of the priority sector lending that is mandatory.