SWOT Analysis of CSR Strategies of Indian Companies

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Abstract: *CSR is the positive activity which is performed by any company, business or organization that affects the employees, society, local authorities, environment and economy positively. This responsibility is performed to gain the trust, respect and confidence from all the shareholders, employees, government, society and potential investors. It is a motive learning and engagement of employees, directors and all stakeholders in helping others and in development of the society. It is a wider term with respect to what is considered in India. It leads the organization to have sustainable growth and development of organization, society and the whole economy. The purpose of the study is to explain the proper meaning and description of Corporate Social responsibility and its development in India and study the theoretical aspects. It is to get the holistic view of the CSR. CSR is the need of the hour, its better implication in the organization and bring them to a large scale. We will explore the recent trends in the country regarding CSR and its practices and global implication.This research is on the different companies which are on large scale and small scale and also discuss their strategies regarding CSR and what is missing in performing their activities. This study will help in knowing exactly what are the Strengths, Weaknesses, Opportunities and Threats (SWOT analysis).This research has a cohesive study of the organization that at what level they are performing their duties and responsibilities and whether the customers, employees, sellers, government, society are satisfied with their undertakings or not.*

I.   Introduction

Corporate Social Responsibility is also regarded as Sustainable Responsible business. CSR is self regulating activity adhere to law, ethics and international norms. It is a well known concept in today's scenario but in earlier times it was not so known. Undoubtedly, it was debated from 1950's even then it had not taken the great effect but now the growth and success of the business is totally dependent on the performing of CSR.

In earlier times, when it was debated, it was limited to philanthropy after that it was extended to business society relations but now-a-days, it is not only for one or two groups but also for everyone as well as economy, resources and environment also. CSR is related to voluntarily making of sustainable development, improvement of human, society, local community and contribution in eradication of social evils and by not forgetting the rules and regulations and law. It is strategically sensitive investment by the organization which leads them to compete among the other organizations. There are many companies who are engaging themselves in this activity at higher levels and contributing to the society, utilizing and managing in a better way. Indian companies are quite proactive in taking up CSR initiatives, having strategies and their implementation by integrating it in their business models or organizational structure.

History of CSR

Corporate social responsibility is not a new concept. It has an impressive history regarding its evolution. It was first studied in 1950's. After that many changes are brought in from time to time. When it was first studied it was known as Social responsibility. But now-a-days, its name is corporate social responsibility. This shows that in earlier times, only one responsibility that is regarding society was fulfilled but now all the responsibilities are fulfilled that is corporate, social, economic, citizenship and environmental. It was just a starting of CSR in 50's, now in 21st century it has gained its wider area.

Indian CSR Scenario

India is one of the country among the other which has oldest tradition of CSR in different companies. The fundamental fact of CSR is that not to fulfill responsibility only because of public policy, laws etc. but also to be fulfilled voluntarily. In modern era, Indian companies have different teams for CSR management who formulate the policies, strategies, goals for the whole economy and implement it in a proper and efficient manner keeping in mind its profitability. Now, it has become a main objective of any company to have proper implementation of CSR for the long survival in the society and development of any company. CSR programs can be related to education, environment, health care, infrastructure, protection and technology awareness etc. Companies take all resources from the society and it is a trend to give something in return by way of contribution to society, employees, economy etc.

Many Indian companies are performing CSR in a better way such as Aditya Birla Group, Bharat Petroleum Corporation Limited and Oil India Limited.

Literature Review of CSR

Everything changes from time to time. Nothing remains the same for all the time. As the new generation comes genes get multiplied and there are more innovative ideas which lead to changes in the present running things. So as is the case of CSR. There are rapid changes in the need and ideas of CSR. That leads to create importance of having more research on the things. Over the passage of time, the concept of CSR has changed. Researchers, scholars shall be updated from time to time about the rapid changes.

- **Friedman (1970)** gave the Agency Theory. He indicated that the successful functioning of the organization is dependent on its specialization and the activities performed by its managers, employees which reduces the wealth of stakeholders.
- **Davis (1975)** stated that if an organization fails to contribute towards the society then it will not be able to survive in the society and get liquidated.
- **Donaldson (1983)** told about the contractual obligation of the organization with the society. As society gives the organization the power to use its human and natural resources, so as the organization has to give something in return to the society.
- **Freeman (1984)** told that organization does not have obligation only towards shareholders but also have obligation towards customers, suppliers, stakeholders, employees, society and local community.
- **Jones (1995)** gave the stakeholders theory which stated that the organization shall stay honest and trustworthy to its shareholders and never show the wrong information regarding the organization. This will create Good reputation of the company.
- **Russo, Fouts (1997)** had the regression analysis of the environmental performance of the organization. He stated that there is a positive relationship between financial performance and environmental performance.
- **Mc Williams and Seigel (2001)** presented a theory of the firm stating that the ideal level of performing CSR shall be governed by Cost Benefit Analysis. That means no loss to organization by fulfilling its responsibility.
- **Gond, Crane (2008)** approached on the distortion of corporate social performance concept. He analyzed that tensions and contradictions are the main reasons for the slowest performance of CSR and hindering the development of CSR.
- **Shah, Bhaskar (2010)** worked on a case study of Bharat Petroleum Corporation Limited. They stated the relationship between society and organization that is accepting resources from the society and giving back to the society is like working for each other. It was found that BPCL has taken a lot of initiatives for contributing to the society.

II.   Research Methodology

This research paper is an attempt of secondary research. This includes the study of four different companies regarding their sales and CSR activities and their initiatives for the society, environment and resources. This study is of descriptive type. The companies taken into account are: Indian Oil Corporation, Mahindra and Mahindra, Tata Consultancy Services and Hindalco Industries.

Study is related to their focus area such as education, use of recycled products, aid to deserving people and reduce and reuse of resources etc. The actual investment made by these companies is considered as benchmark. It is assumed that investment over the period has remain same from 2011-2014. This study tells about the actual sales made by the companies and contribution towards society and comparison of contribution among different years.

Objective of CSR
- Study of challenges and vulnerability of CSR
- To contribute useful insight
- To provide basic framework
- To understand the opportunities and threats.
- To understand strengths and weaknesses
- To analyze the situation and take appropriate action
- To suggest innovational ideas
- To minimize adverse effect on environment and society

Scope of CSR
Scope of CSR is extended in many different categories such as:

Human resource management
It is related to the customers, suppliers and employees.
- To provide safe and friendly working environment
- To value a corporate culture.
- To ensure maximum satisfaction to customers.
- To provide authoritative explanation.

Social Contribution
- Welfare of the society
- Contribution to local communities and authorities.
- Good corporate citizenship.
- Assisting for reconstruction after disaster.

Environmental management
- Efforts to achieve low carbon society.
- Recycling of wastes and scrap
- Bio-conservation activity.
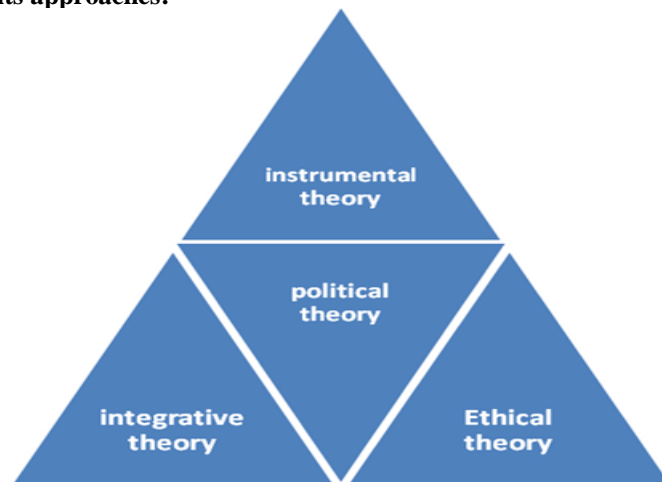- Make use of efficient energy tools.

Need of CSR
- Organizations realized that today's scenario of globalization needs CSR. Without the presence of CSR, company's can't compete effectively and efficiently in the market.
- It is a mandatory factor for employees' motivation and to decrease the level of employee termination rate.
- CSR strategy helps in innovation, training, creativity and intellectual capital.
- It leads to have in depth analysis of relations with external stakeholders and helps in better control of management.
- Helps in increasing cross borders relationships and compliance with rules and laws.
- Enhance credit worthiness, reputation, recognition and building a brand image.
- Helpful for future decisions related to investments.
- Helps in competing with Multi National Companies and taking first mover advantage in the environment.

Theories of CSR
Generally there are three types of theories or approaches that are as follows:
- **Utilitarian theory:** It is a theory on social cost and idea for functionalism and neo-functionalism. Social cost theory is based upon economic forces which are influenced by non-economic forces. Functionalism theory is related to profit making.
- **Managerial theory:** A theory related to the political approaches, globalization pressure and domestic political structures.
- **Relational theory:** It is environment related theory. It considers social contract, stakeholders, business, society and global corporate relationship.

CSR theories and its approaches:

1. **Instrumental theory:** It is the theory related to the achieving of economic objective with the help of social activities. It maximizes the long term value of shareholders and helps in carrying out strategy for gaining competitive advantage. It makes efficient and maximum use of resources with dynamic capabilities. It can also be regarded as a marketing tool.

2. **Political theory:** It focuses on the use of business power in the political area. It assumes that organization has a direct link with the society. It tells that organization is a citizen and a part of the community.

3. **Integrative theory:** It is the theory which deals with the managerial issues, societal issues, public and stakeholder management.

4. **Ethical theory:** It focuses on the right and exact thing to be performed. It focuses not only on the human resource management but also keep a check on rights and protect environment and take care of future generation and develop with sustainability.

Implications of CSR

Section 135 of Indian Companies Act, 2013 governs the concept of CSR. It was passed by both the houses of parliament and with the assent of president on 29th august, 2013. It states that the companies which have:

- net worth of Rs 500 crore or more,
- turnover of Rs 1000 crore or more ,or
- net profit of Rs 5 crore or more during any financial year shall form a committee on CSR of the Board.
  This act encourages the liable companies to contribute atleast 2% of average Net Profit in last three previous years on CSR. Section 198 of the Companies Act, 2013 specifies the calculation of "Average Net Profit".

Role of the Board in CSR

- Form a CSR committee
- Approve the CSR policy
- Ensure proper implementation of CSR policy
- Ensure that 2% have been spent
- State the reason if the amount is not spent.

Role of CSR committee

- Should have three or more directors and atleast one independent director.
- Formulate and recommend policy to the Board.
- Recommend activities and amount to be spent.
- Keep a check on policy from time to time.

Role of board and role of committee go hand in hand. They are dependent on each other. One is not complete without another.

Recent trends in India

Information technology sector is the leading sector in case of CSR reporting but the financial sector lags behind in this case. It is demonstrated that nearly 81% of companies by showing separate CSR reports enhanced the credibility, reliability and investors. IT companies give good quality reports whose average score is 64% but pharmaceutical companies give lowest quality reports whose average score is 20% only. Indian CSR reports give a better disclosure on the engagement of stakeholders process but it is least in case of supplier and value chain impacts. Key risk areas:

Competitive risks (45%) and physical risks (42%).
Both these risks are related to accessibility and availability of resources which affect the business severely. CSR reports are disclosed in annual reports but integrated reports will take time to be implemented.

SWOT Analysis

1. **Benefits of Complying with CSR (strengths)**

- Financial performance will improve.
- Enhanced reputation and brand image.
- Less operational cost.
- Easy availability of capital.
- Increased customer loyalty and sales
- Sustainable development.
- Use of recycled products.

- Contribution towards society.
- Safety and quality.
- Diversity of employees and customers

2. Hindrance among CSR initiatives (weaknesses)

- There is lack of communication between companies and general public. General public is very less interested in knowing whether the company is contributing for society, economy and country.
- Due to lack of transparency among the companies , CSR initiatives can't be taken as there is no proper report of profitability, exact information, audit issues and utilization of funds.
- The people in India take CSR as narrower term but in reality is a broader term if taken into action.
- There is lack of judgement within a time frame due to which there is duplication of others' efforts.
- Lack of visibility factor between companies and the general public.
- Well organized non-government organizations are not available in rural and remote areas.
- Involves lot of money to be spent

3. Opportunities

- Business relationships should be built on mutual understanding and based on realistic and true statements. This will lead to have great opportunity for being sustainable and developed.
- Being able to understand the real facts of the environment which helps business as well as the society.
- As the time and resources are limited, so to grab more power, there is need to put more efforts and deep understanding of mutual dependency and highest potential of mutual benefits.
- Better impact of brand image of the business house on the minds of customers
- Better visibility of the business in all areas

4. Threats

- There is lack of public policies to promote CSR.
- There is lack of consistent legislative framework.
- Regulations by the Government to make CSR spending compulsory as a percentage of their annual profit

Impacts of CSR

CSR positively impacts all the related parties even the organization itself. Nobody gets adversely affected from CSR activities and initiatives. Some of the impacts are as follows:

On Organization

- Customer retention
- Stable cash flow
- Less cost of production
- Large number of customers
- Brand image
- Reputation
- Creditworthiness
- Stability

On Society

- Society development
- Educated people
- Equality
- Better brand image in the minds of consumers

On Environment and Resources

- Safe and pollution free
- Optimum utilization of resources
- Reduce, reuse and recycle of resources
- Energy efficient resources.

Research and Interpretations

➢ **Indian Oil Corporation**

It is a non-profit trust, runs the Indian Oil Foundation which contributes for the promotion and preservation of Country's heritage. It offers 150 scholarships every year to the promising youngsters. It also take initiatives for providing clean drinking water, education and health care centres. During the last year, it spent Rs. 78.97crores towards CSR activities.

➢ **Mahindra and Mahindra**

It is a multinational automobile manufacturing corporation. Its trust named KC Mahindra Education trust runs a programme named Nanhi Kali to support the education of girls. This trust has awarded grants and scholarships to 83,245 students till now. In vocational training, it provides livelihood training to the youth of economically and socially disadvantaged communities. It also contribute for the education, health care, culture and sports. It spent Rs. 220million for its CSR activities. It is ranked 4th for the contribution towards CSR.

➢ **Tata Consultancy Services**

It is contributing to the society by way of improving adult literacy rate. It has already benefitted to 1.2 lakh people. This programme is not only in one language but it is in nine Indian languages. Besides the adult literacy, they are also contributing for agriculture, health care and skill development. It got 9th rank for the contribution towards CSR activities and it spent Rs. 510million for its contribution.

➢ **Hindalco Industries**

It is contributing to near about 692 villages and 12 urban slums that means nearly 12lakh people are getting advantage. it has provided safe drinking water by way of constructing check dams, ponds and bore wells. It provides awards and scholarships to students for education and also contribute towards women empowerment and also operates rural mobile medical van services. It spent Rs. 280million for performing its CSR activities and ranked 5th in the contribution towards CSR activities.

Challenges of CSR

In modern era, CSR is the point of attraction in any business strategy and is a part of long term planning process. Each and every person connected to organization is eager to know about its CSR initiatives. It has become mandatory to incorporate stakeholders views as they are questioning upon their CSR activities. The biggest problem in India is lack of budget allocation due to lack of employees support, knowledge, skills and professionalism. Small companies are unable to take CSR initiative. Even if they take the initiative they get failed. Making awareness about the companies CSR activities to public is very essential in which Media plays a very important role. But media is not contributing enough towards its duty.

Government is failed in the process of providing proper statutory guidelines to the companies who are contributing towards CSR.

Suggestions

The challenges that are faced regarding CSR activities can be handled by reviewing of recent policies and changes shall be made to them keeping in mind the Strengths, Weaknesses, Opportunities and Threats of CSR, Companies, Society, Local authority and Environment.

Different seminars, conferences and training guidance shall be organized by the companies to generate general knowledge and awareness of public in this sector. Media can help a lot in providing information to the public.

Strong budgetary support, more Knowledge, skills, professionalism and government regulations will lead to benchmark the CSR activities. Companies shall involve their stakeholders to build strong brand image and reputation. The companies shall broaden their activities towards local authority, society, stakeholders, suppliers, customers and environment.

III. Conclusion

Corporate Social Resposibilty is not a single time process. It will go on as the company is surviving and its activities are running. In modern era, consumer is the king. A company's reputation success and survival is in the hands of society. If the companies will do well for the society, environment, government, stakeholders, consumers and suppliers etc. then only it will be able to achieve its goals otherwise it will not survive for long. Undoubtedly, companies are taking initiatives for the CSR activities and they know their responsibilities and duties and they are also trying to contribute more and more for them. The companies have come to know that performance of CSR is the need of the hour. CSR has come a long way in India. The companies are integrating their business models with the CSR activities. Even the report is prepared for CSR activities and in the coming times, it will also be shown in the Annual Reports.

Hence, company shall contribute more and more to make this planet better to live in.

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