

## TRENDS AND STATUS OF CORPORATE SOCIAL RESPONSIBILITY IN KARNATAKA: AN EMPIRICAL STUDY

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### ABSTRACT

Corporate social responsibility (CSR) is not new to India. It is a part of the ancient tradition which is currently being practiced by companies. The Companies Act 2013 has made it obligatory for the companies to practice CSR with certain conditions. Effective CSR towards communities require close interaction with current development thinking. This article examines the trends and status of corporate social responsibility in Karnataka. The article brings out the key issues highlighting the trends and status of CSR such as involvement in CSR initiatives, CSR policy development and implementation, the target groups covered while implementing CSR initiatives, the regularity of CSR initiatives, the rationale behind targeting the particular area for undertaking CSR initiatives, and the chances of change in CSR initiatives in future. The major issues considered by companies under CSR continue to be education, health care and environment. Few other initiatives such as rural development, livelihood promotion, safe drinking water and sanitation are also gaining the attention of the companies. With CSR roadmaps being integrated into the strategic blueprints of the companies, there is a hope that one can see some serious, innovative and impactful CSR initiatives in future.

**KEY WORDS:** Corporate social Responsibility, CSR initiatives, Trends and status of CSR, Involvement in CSR.

### INTRODUCTION

The 1990's has been the decade of profound change in India's economic paradigm and has significantly affected corporate India. Liberalization has meant an increasing role for the corporate sector and freedom from controls. While corporate India represents one face of this country, there exists another visible face, marked by poverty, illiteracy, never ending health problems, inhuman living conditions and overpopulation. Whether liberalization has made India better is a matter for introspection. CSR is not new to India. It is a part of the ancient tradition which is currently being practiced by companies. The Companies Act 2013 has made it mandatory for the companies to practice CSR with certain conditions.

Effective CSR towards communities require close interaction with current development thinking. Initially there was welfare and now there is empowerment. Soon basic needs will become basic rights. These ideas gain currency in the

view that economic development alone cannot ensure human development, which is the ultimate goal. Corporate India can bring this difference through a sustainable approach. In this process companies need to give greater emphasis to people and communities, while protecting the interest of employees, shareholders and customers. The government and NGO's play their role in human development, while the corporate need to join hands with them. There is recognition that human development is the ultimate goal and economic growth is a means to this end.

There is a view that corporate have a moral and social obligation towards society. This is because they depend on society for a number of facilities such as developed infrastructure, natural resources, trained workforce, and serenity at the work place. They also depend on society for the maintenance of law and order, without which they cannot carry on their productive activities and also for reaching to

their customers through mass media. Consumers for the products, on whom their existence depends, are all drawn from society. When corporate draws so much from the society that it cannot compensate back, it has to make its own contribution for the welfare of the society. It owes a debt to the society; therefore it is appropriate for the corporate to give back something in return at least in the form of social welfare. The corporate also have a moral responsibility to take a long and hard look at their values, practices and assumptions.

### OBJECTIVES OF THE STUDY

The main objective of the study was to understand the trends and status of Corporate Social Responsibility in Karnataka. The specific objectives are:

- To track the key focus areas of CSR in Karnataka
- To understand the CSR policy development and implementation
- To know the target groups covered
- To study the regularity of CSR activities.

### METHODOLOGY

A structured questionnaire was developed based on past studies. Pilot study was conducted. The modifications suggested in the pilot study were incorporated in the final questionnaire. The sample for the purpose of analysis was drawn from the address list contained in Federation of Karnataka Chambers of Commerce and Industry (FKCCI) and Confederation of Indian Industry (CII). The 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 was adopted to choose the respondent companies in Karnataka. The size of the sample was 217 comprising 104 from private sector, 63 from public sector, and 50 from Multinational Corporations (MNCs). The data was analysed using SPSS programme.

### DATA ANALYSIS

On the basis of ownership, a comparison between the Private sector, Public sector, and MNCs was carried out on the focus areas of CSR. The study analyses the involvement

in CSR initiatives, reasons for covering specific CSR initiative, CSR policy development and implementation, the target groups covered, the regularity of CSR initiatives, the rationale behind targeting the particular area for undertaking CSR initiatives, the chances of change in CSR initiatives in future. By analyzing the above issues an attempt has been made to understand the trends and status of CSR among corporate in Karnataka.

### KEY FINDINGS

#### Involvement in CSR initiatives

The organizations in Karnataka undertake a variety of CSR initiatives while pursuing their organizational goals. Overall results show that all the respondent organizations are involved in one or the other CSR activity. There exists difference among different sectors regarding the extent of involvement in the kind of CSR initiative. All the three sectors are actively involved in three areas such as environment (75.6 per cent), education (71.4 per cent), and health (66.8 per cent). There was least involvement in some areas such as micro finance (19.8 per cent) slum improvement (16.6 per cent), and agriculture (14.7 per cent). The private sector was least involved in slum improvement, while public sector was least involved in agriculture, and the MNCs were least involved in micro finance. 12 per cent of the respondent organizations were involved in some other initiatives such as art & culture, preserving national heritage, construction of roads & Samudaya Bhavan, sports, trust for disabled, welfare activities, and support for self employment (Table 1).

Very interestingly Times foundation survey (2008) found some of the above results in their study. Times Foundation in partnership with TNS India launched a nationwide survey on CSR practices. The survey highlights that education (82 per cent), health (77 per cent), and environment (66 per cent) are the major thrust areas currently covered under CSR initiatives of participating organizations. Similar results were found in another survey conducted by Centre for Corporate Research and Training (2003). It is noteworthy to state that education, health and environment – the three thrust areas – continue to remain on radar of CSR interventions of the corporate houses in different parts of the State.

**Table 1: Involvement in CSR Initiatives**

Issues covered	Private (n <sub>1</sub> =104)	Public (n <sub>2</sub> = 63)	MNC (n <sub>3</sub> = 50)	All (N =217)	χ <sup>2</sup>	P
Rehabilitation and Resettlement	32 (30.8)	29 (46.0)	12 (24.0)	73 (33.6)	6.799	.033 (Sig)
Child care /Development	28 (26.9)	21 (33.3)	10 (20.0)	59 (27.2)	2.510	.285 (NS)
Disaster Management	32 (30.8)	25 (39.7)	22 (44.0)	79 (36.4)	2.965	.227 (NS)
Women empowerment	30 (28.8)	36 (57.1)	16 (32.0)	82 (37.8)	14.289	.001 (HS)
Livelihood promotion	20 (19.2)	40 (63.5)	4 (8.0)	64 (29.5)	51.395	.000 (HS)
Slum improvement	12 (11.5)	14 (22.2)	10 (20.0)	36 (16.6)	3.782	.151 (NS)
Charitable events	56 (53.8)	27 (42.9)	18 (36.0)	101 (46.5)	4.807	.090(NS)
Micro finance	22 (21.2)	19 (30.2)	02 (4.0)	43 (19.8)	12.230	.002 (HS)
Environment	78 (75.0)	46 (73.0)	40 (80.0)	164 (75.6)	.773	.680 (NS)

Agriculture	22 (21.2)	04 (6.3)	06 (12.0)	32 (14.7)	7.230	.027 (Sig)
Sanitation	28 (26.9)	35 (55.6)	20 (40.0)	83 (38.2)	13.702	.001 (HS)
Education	62 (59.6)	55 (87.3)	38 (76.0)	155 (71.4)	15.401	.000 (HS)
Health	72 (69.2)	33 (52.4)	40 (80.0)	145 (66.8)	10.115	.006 (HS)
Water	28 (26.9)	37 (58.7)	24 (48.0)	89 (41.0)	17.718	.000 (HS)
Others	04 (3.8)	18 (28.6)	04 (8.0)	26 (12.0)	23.720	.000 (HS)

Source: Field survey data

The diversification in CSR initiatives is evident from the range of activities displayed in the above table (Table 1). But there may be several reasons for undertaking CSR initiatives by the respondent organizations. As seen in Table 2 nearly 66 per cent of the respondent organizations cover the specific CSR activities as per the organizational perception, while nearly 42 per cent of them expressed that they undertake CSR activities based on the current relevance of the issue. On the other hand, a little over 31 per cent of them cover the CSR

initiatives as per the demand from the community. Small portions (8.3%) of them take into consideration other reasons such as based on government policy and need of the community. It is interesting to note that 92 per cent of the MNCs cover the CSR initiatives as per the organizational perception as against 59.6 per cent of the private sector and 55.6 per cent of the public sector. The private sector and public sector give more or less equal importance to organizational perception and current relevance of the issue.

**Table 2: Reasons for covering the specific CSR Initiatives**

Reasons for covering the specific CSR initiatives	Private (n <sub>1</sub> =104)	Public (n <sub>2</sub> = 63)	MNC (n <sub>3</sub> = 50)	All (N = 217)	$\chi^2$	P
Demand from the community	38 (36.5)	20 (31.7)	10 (20.0)	68 (31.3)	4.299	.117 (NS)
Current relevance of the issue	44 (42.3)	35 (55.6)	12 (24.0)	91 (41.9)	11.411	.003 (HS)
As per the organizational perception	62 (59.6)	35 (55.6)	46 (92.0)	143 (65.9)	19.984	.000 (HS)
Others	04 (3.8)	14 (22.2)	0 (.0)	18 (8.3)	23.293	.000 (HS)

Source: Field survey data

## CSR POLICY DEVELOPMENT AND IMPLEMENTATION

The Ministry of Corporate Affairs has made notifications regarding development and implementation of CSR policy by companies. According to the notification Section 135 of the Companies Act, 2013 ('the Act') mandates every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year to spend at least two per cent of the average net profits earned during the three immediately preceding financial years on CSR activities specified in Schedule VII of the Act. Such company is required to constitute a CSR committee or the Board consisting of three or more directors, out of which at least one director shall be an independent director. The Board of each such company is required to have the company's CSR policy formulated and monitor its implementation. The Board's report shall include an annual report on CSR containing particulars specified in prescribed format. The Board's report shall specify the reasons for not spending the specified amount, if the company fails to spend such amount. Companies may implement their CSR Policy through (i) registered trusts (ii) registered societies or (iii) a company established under section 8 of the Act.

The actual spirit of the Act was to ingrain CSR into the DNA of the company so that the companies should consider society as an important stakeholder of the business and adopt

CSR as part of the regular business activities. CSR is supposed to be a concept whereby companies integrate social and environmental concerns in their business operations and in their dealings with their stakeholders on a voluntary basis. It is not enough if they fulfil their legal obligations, they should go beyond compliance and invest in human capital, environment and maintain a good relationship with the stakeholders.

The success of any activity depends upon its effective implementation. For the successful implementation of CSR initiatives there should be an effective way of passing the benefit of the CSR initiatives for those who actually deserve it. As shown in Table 3, nearly 54 per cent of the respondent organizations implemented their CSR initiatives by giving financial support directly to the community, while nearly 51 per cent undertake their CSR activities through their own CSR projects. On the other hand, a little over 39 per cent of them took the help of voluntary organizations and nearly 31 per cent contributed by organizing charitable events. Finally, small portion (18.4%) of the respondent organizations did this by funding to the government and others include 8.8 per cent of them who implement their CSR initiatives through direct involvement and by having collaboration with the local institutions. All the three sectors implemented their CSR initiatives more by giving financial support directly to the community and through their own CSR projects.

**Table 3: Ways of implementing CSR Initiatives**

Implementation of CSR initiatives	Private (n <sub>1</sub> =104)	Public (n <sub>2</sub> = 63)	MNC (n <sub>3</sub> = 50)	All (N =217)	$\chi^2$	P
Through voluntary organizations	44 (42.3)	27 (42.9)	14 (28.0)	85 (39.2)	3.407	.182(NS)
By giving financial support directly to the community	62 (59.6)	33 (52.4)	22 (44.0)	117 (53.9)	3.398	.183(NS)
By organizing charitable events	28 (26.9)	25 (39.7)	14 (28.0)	67 (30.9)	3.245	.197(NS)
Funding to government	10 (9.5)	22 (34.9)	08 (16.0)	40 (18.4)	16.965	.200(HS)
Through their own CSR project management	50 (48.1)	40 (63.5)	20 (40.0)	110 (50.7)	6.701	.035(Sig)
Others	02 (1.9)	09 (14.3)	08 (16.0)	19 (8.8)	11.773	.003(HS)

Source: Field survey data

### TARGET GROUPS COVERED IN CSR INITIATIVES

As clearly depicted in Table 4 all the three sectors extended highest support to the people living nearby their organization (private 73.1%, public 79.4%, and MNC 84.0%). Poor people living in rural areas were considered as the second important target group, as the importance attached accounts for 50.2 per cent. It is observed that 57.1 per cent of the

public sector undertakings undertake their CSR initiatives through random selection of the area or community compared to private sector and MNCs, where the support was comparatively less. Other groups covered include urban poor, adolescents from disadvantaged family, on merit basis, poor and needy, and rehabilitation of the people from project site, which accounts for only 10.6 per cent. Least support (8.3%) goes to tribal people living in any part of the country.

**Table 4: Target groups covered by the respondent organizations**

Target groups covered	Private (n <sub>1</sub> =104)	Public (n <sub>2</sub> = 63)	MNC (n <sub>3</sub> = 50)	All (N =217)	$\chi^2$	P
People living nearby the organization	76 (73.1)	50 (79.4)	42 (84.0)	168 (77.4)	2.497	.287 (NS)
Selected in consultation with NGO's	30 (28.8)	17 (27)	06 (12.0)	53 (24.4)	5.507	.064 (NS)
Random selection of area or community	32 (30.8)	36 (57.1)	06 (12.0)	74 (34.1)	26.2666	.000 (HS)
Tribal people in any part of the country	06 (5.8)	12 (19.0)	0 (.0)	18 (8.3)	14.970	.001 (HS)
Poor people living in rural areas	54 (51.9)	35 (55.6)	20 (40.0)	109 (50.2)	2.927	.231 (NS)
Others	04 (3.8)	15 (23.8)	04 (8.0)	23 (10.6)	16.964	.000 (HS)

Source: Field survey data

### REGULARITY OF CSR INITIATIVES

When the respondents were enquired about the occurrence of CSR initiatives during the last five years, most (74.7%) of the respondent organizations expressed their view that their activities are regular running programs. On the other hand, 22.5 per cent of them undertake the CSR activities as onetime

event, while nearly 3 per cent of them did it both as one time and regular event (Table 5). Test shows that there is significant difference between all the three sectors as  $p = 0.012 < 0.05$ . It was a regular event more in the case of private and public sector compared to MNC's.

**Table 5: Regularity of CSR initiatives**

Regularity of CSR initiatives	Private	Public	MNC	All
Episodic events	26 (25.0)	09 (14.3)	14 (28.0)	49 (22.5)
Continuous events	78 (75.0)	52 (82.5)	32 (64.0)	162 (74.7)
Episodic and Continuous	0 (.0)	02 (3.2)	04 (8.05)	06 (2.8)
	104 (100.0)	63 (100.0)	50 (100.0)	217 (100.0)

Source: Field survey data

Fisher's Exact test,  $p = 0.012$  Significant

## RATIONALE BEHIND TARGETING AN AREA

The selection of particular locality for undertaking CSR initiatives depends upon the interest of the organization. As depicted in Table 6, in the case of nearly 57 per cent of the respondent organizations, selection of the locality for undertaking CSR initiatives was the operating area of the

respective organization and a little over 56 per cent of the cases it depended upon the selection criteria of the organization. It can be observed that in public sector 90.5 per cent of the cases, their operating area were considered for undertaking CSR initiatives. But in private sector 19 per cent of the cases there were other reasons for targeting a particular area such as promoter's birth place and neighborhood villages.

**Table 6: Rationale behind targeting an area**

Rationale behind targeting the particular area	Private (n <sub>1</sub> =104)	Public (n <sub>2</sub> = 63)	MNC (n <sub>3</sub> = 50)	All (N =217)	χ <sup>2</sup>	P
Operating area of the organization	44 (42.3)	57 (90.5)	22 (44.0)	123 (56.7)	41.330	.000 (HS)
Selected randomly	24 (23.1)	04 (6.3)	10 (20.0)	38 (17.5)	7.879	.019 (sig)
On the basis of demand	42 (40.4)	17 (27.0)	06 (12.0)	65 (30.0)	13.339	.001 (HS)
As per the selection criteria of the organization	66 (63.5)	28 (44.4)	28 (56.0)	122 (56.2)	5.766	.056 (NS)
Stakeholder decision	14 (13.5)	02 (3.2)	04 (8.0)	20 (9.2)	5.077	.079 (NS)
Others	0 (0.0)	12 (19.0)	0 (.0)	12 (5.5)	-	.000* (HS)

Source: Field survey data

\*Fishers exact test

## CHANCES OF CHANGE IN CSR INITIATIVES IN FUTURE

The kind of CSR activities vary across organizations. Similarly the perseverance of the activity over a period of time also may vary. As seen in Table 7, a little over 84 per cent of the respondent organizations reported that they

undertake similar activities in future also. But nearly 13 per cent of the respondent organizations predicted a change in the CSR activities in future, while nearly 3 per cent of the respondent organizations foresee a change in their CSR activities in the coming years.

**Table 7: Chances of change in CSR initiatives in Future**

Chances of change in CSR initiatives	Private	Public	MNC	All
Pursue the same CSR activities	80 (76.9)	57 (90.5)	46 (92.0)	183 (84.3)
Does not pursue the same activities	06 (5.8)	0 (.0)	0 (.0)	06 (2.8)
Might vary	18 (17.3)	06 (9.5)	04 (8.0)	28 (12.9)
	104 (100.0)	63 (100.0)	50 (100.0)	217 (100.0)

Source: Field survey data

$\chi^2 = 10.880, p = .028$  (Significant)

CSR in its original form was considered as responsible operations by businesses in their core business. The regulation of Companies Act 2013 has brought some compulsion on the part of the companies to undertake CSR. CSR initiatives are often talked about or undertaken as if they were something special. CSR must be strategic and contribute towards a 'just society', where quality should replace quantity. The CSR initiatives after assessing community needs, should lend towards impacting communities in a 'positive and responsible' manner with philanthropic models being replaced by sustainable models.

With an aim to enhance the dimensions of transparency and accountability of corporate towards society, the tool of advocacy and engagement with the Ministry of Corporate Affairs and corporate has been the National Voluntary

Guidelines framework for business responsibility. This framework has been a starting point to steer the discussion on business responsibility back to a wider scope covering social and environmental practices. CSR is an opportunity for companies to go beyond their regular businesses. CSR activities have helped the businesses and the society to grow together. CSR should not be seen as expenditure from the company's end but as an investment for developing innovative solutions to address critical human development issues.

## CONCLUSION

The major issues considered by companies under CSR continue to be education, health care and environment along with rural development. Livelihood promotion, safe drinking water and sanitation. Of all the initiatives the maximum expenditure goes to Education. A survey conducted by HR

consulting firm Mercer titled 'Corporate Social Responsibility and Sustainability Programs, Policies and Practices,' reveals that 81% companies consider education as the top core area for CSR activities in India. In October 2014, the Ministry of Corporate Affairs (MCA) expanded the list to include contributions to Swachh Bharat Kosh and Clean Ganga Fund under CSR. As per the sector wise list published by MCA all the CSR initiatives listed above (Table 1) are considered by the companies. In addition many other funds are generated to take care of socio-economic growth of the nation.

The involvement of companies in CSR programmes over the last four years has been encouraging. According to MCA website accessed on 10<sup>th</sup> December 2018 (data culled out from the filings made by companies upto 30.11.2017), CSR expenditure by companies in India was 2014-15 <sup>1</sup> 9564.77 crores, 2015-16 <sup>1</sup> 13,827.86 crores and 2016-17 <sup>1</sup> 4,719.00 crores. As far as the state is concerned the CSR expenditure by Companies in Karnataka was 2014-15 <sup>1</sup> 382.79 crores, 2015-16 <sup>1</sup> 730.64 crores, and 2016-17 <sup>1</sup> 202.71 crores. One can observe that the CSR expenditure by the companies in 2016-17 is less than 1/3 of the expenditure made during the previous year.

It is interesting and even more encouraging to know that increasingly CSR leaders are talking about ways to devise CSR strategy that is aligned with their core business. Not just contributing to CSR as a matter of compliance. One can see

positions designated with Head CSR or Head Sustainability. In many cases one can observe that the company has its own foundation to take care of the CSR activities. CSR Times Magazine discloses that before 2014, there were not many Boardrooms where CSR was listed amongst other business agendas, except for a few where it was passionately driven from the top. This now happens in a very large number of companies. With CSR roadmaps being integrated into the strategic blueprints of the companies, there is a hope that one can see some serious, innovative and impactful CSR initiatives in future.

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