

An Analysis of Regulatory Framework towards CSR Practices in Gujarat

Pinkal Desai

Research Scholar, SRK University, Bhopal

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ABSTRACT

This research paper desires to gauge the stakeholders' perception towards the regulatory framework and corporate social responsibility practices offered by selected companies and organizations in Gujarat. Efforts have been ended to find out the imperative grounds, fields and areas where, the emphasis has been given by the organizations to the CSR practices. More importantly research paper tries to assess the role of regulatory bodies in implementing the guide lines for these organizations. This study focuses to the critical assessment to carry out and check the level of awareness and perception towards the both substantial aspects of the research problem. It is a descriptive and empirical study led by a survey method. The purpose of this research paper is to critically examine the stakeholders' perception towards regulatory framework to concern with CSR practices and activities offered by selected companies. The data comprises of both primary and secondary data for this research problem and analyzed using suitable and applicable statistical tools. The study concludes with finding and conclusion.

1. Introduction

Corporate social responsibility (CSR) is an automated model of the business that aids a firm to be communally responsible firstly to themselves, then to its stakeholders, and finally towards the community. By being committed, the CSR is known as the corporate citizenship, and here the firms can be alert of the types of impact they have in all the facets of the community, including financial, communal, and ecological. To connect to the CSR, in the normal way of doing any business, a firm is working in many different ways that may lead to the advancement of the communal and the ecological part, as a substitute of causal which is unenthusiastically nature. Corporate Social Responsibility is a wide concept that can take many different ways depending on the firm and business. In the course of the CSR programs, charity and unpaid assistant, any businesses can profit in the society while upgrading their brand. CSR being very important for the society, it is similarly important for a firm. CSR actions can aid and create a stronger acquaintance between the workers and the firms, boost self-esteem, and help both the workers and the authority to feel more attached with the whole planet. For any firm to be in a social context, it primarily needs to be responsible to itself and its shareholders. Frequently, the firms that accept the CSR programs have developed their venture to a state where they can give something better in return to the society. Thus, CSR is mainly a strategic plan of the big corporations.

1.1 benefits of CSR to society and others

1. **Improved employees' satisfaction:** if a company treats a society well, it clearly indicates that it also treats its employees well. When people get good working environment, along with support and respect, they tend to be more responsible and yield productivity at work, being highly contented and satisfied. When a company lets its employees to volunteer, it gives them an opportunity to feel one with the community. With these self-developments,

- employees feel proud of their work and stay motivated to give their best for the welfare of the organization.
2. **Gives positive impact to the community:** When a company keeps the social responsibility first in their mind, they are always encouraged to think wisely and act ethically, considering the communal and ecological impacts of the business. Organizations again start to stay away from the unfavorable impacts of its business on the society. Some of the organizations also find various ways and means to alter their working or start to value those things which may be beneficial for their business, thus aiding CSR to give a positive impact on the society.
 3. **Enhanced public image:** In this technological era, companies that demonstrate CSR are gaining a great exposure as well as lot of appreciation for being highly involved for the betterment of the society. One thing to be kept in mind is that, a company gains its brand name and attains high benefits with its good work towards the betterment of the society. This helps the consumers to feel proud of such companies contributing their best for the societal growth and welfare. So, therefore the companies should miss no chance to publish their CSR initiatives and also to aware the public about their community involvement.
 4. **Supports being an employer of choice:** To be an employer, by choice mainly the intention is to make the company capable by persuading good and highly caliber employees. When the employer is made by his choice he has two ways to approach: primarily by providing a work balance in life and secondarily by giving positive working conditions with flexible environment to work at peace. In one of the research study, it was discovered that a healthy Corporate Social Responsibility framework will help a company to twirl additional eye-catching budding employees for the future who are in search of workplaces with socially responsible practices, sensible ethics and

also community-oneness. The beyond stated are the compensation of corporate social initiatives to organizations.

1.2 Benefits of the CSR to the companies in India:

On various grounds companies take up CSR very sincerely. CSR is never a luxury, but is always an instrument to get the business a huge success. CSR has always benefitted many businesses. Some of which are as follows:

1. *Improved brand recognition.*
2. *Positive business image.*
3. *Improved sales and customer loyalty.*
4. *Save operational costs.*
5. *Enhance monetary performance.*
6. *Retain the talented staff.*
7. *Less efforts to access capital.*

1.3 The Legal Framework

The Government of India came by its first formal attempt with issuance of corporate social responsibility voluntary guidelines in 2009 by the ministry of corporate affairs (MCA, 2009).

Prior to this, CSR was taken and considered as corporate governance. CSR policy was spelt out that included care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development. The Guidelines specifically drew a distinction between philanthropy and CSR activities, and highlighted the voluntary nature of CSR activities that go beyond any statutory or legal obligation. The guidelines of 2009 were followed in 2011 by the national voluntary guidelines of social, environmental & economic responsibilities of business, also issued by the MCA. The guidelines were incorporated and modified based on the involvements received from vibrant Stakeholders across the country and laid down nine principles for businesses to function in a responsible manner to promote inclusive economic growth at the national level. The changeover from a voluntary CSR regime to a regulated regime started when the Securities Exchange Board of India (SEBI) required the top listed 100 companies, as part of Clause 55 of the Listing Agreement, to mandatorily disclose their CSR activities in the business

responsibility reports (BR Reports) accompanying the annual reports. The greatest attempt was mandated in CSR activities for companies came with the enactment of Section 135 of the Companies Act 2013 (MCA, 2013), as stated in the introduction, Section 135 made CSR. The companies with net worth of rupees five hundred crore or more, or turnover of rupees on thousand crore or more or a net profit of rupees five crore or more (i) to appoint a CSR Committee of at least 3 directors (one independent director), and (ii) under the guidance of the

CSR Committee, spend in every financial year, at least two per cent of the average net profits of

the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

1.4 Regulatory Approaches to CSR

The regulatory approaches indicate the degree of involvement of the government towards CSR practices to concern with an organization. Here Govt. emphasis of two main aspects of CSR, reporting of CSR activity, and amount of spending for CSR activity. Apart from this, three important provision laid down to concern with CSR practices namely; voluntary reporting and voluntary spending, mandatory reporting but voluntary spending, and mandatory reporting and mandatory spending.

1 Mandating CSR disclosure

The issue of mandating CSR essentially pertains to the question of whether corporations are required by laws and regulations to report/disclose its CSR activities or whether the decision to report is to be left to the business judgment of the corporation. The issue of mandatory CSR reporting has gained prominence in recent years following the global financial and economic crisis in the 2000s, a string of corporate misconduct and failures, and growing threats from business operations to environmental sustainability from business operations, all of which have created a 'trust deficit' between corporates and their stakeholders (KPMG-UNEP, 2010).

Consequently, CSR governance has over time shifted from a "hands-off" approach to more stringent regulation in terms of imposing greater mandatory disclosure requirements regarding how CSR by corporations are impacting its different stakeholders and the community at large.

The economic rationale for mandatory CSR disclosure vis-à-vis voluntary disclosure is not *a priori* obvious. If CSR at the firm level is driven by strategic considerations or to serve the interest of stakeholders, then one can argue that it is in the self-interest of a firm to voluntarily disclose its.

2 Mandating CSR Spending

A corporation decides its optimal CSR as part of its business strategy and subject to market pressures. Such market pressures can emanate from market players, namely, consumers and investors, and from stakeholders and civil society organizations. The government's role in such a scenario is seen to be only limited to endorsing, facilitating and partnering socially responsible behavior of corporates through policy instruments such as tax exemptions for CSR activities, through award schemes and facilitating information dissemination and training, guiding corporates to adopt and implement CSR best practices through standard setting, issuance of voluntary guidelines and certification systems, and forging partnerships with the private sector to promote and execute the CSR agenda including public good provisioning to meet developmental objectives.

2. Review of literature

Frisko and Arisandi (2011) have studied the practices of corporate social responsibility (CSR)

run by state owned company in Indonesia which tends to focus on strengthening economies of

small and medium enterprises (SMEs) through partnership program as per regulation framework.

The analysis included examining the background of program, assess its impact to stakeholder, and

evaluate the effectiveness of social program done by state-owned company. Eventually, this study expected to provide information about effectiveness analysis of CSR programs for company and government to design proper rules in creating sustainability development for a better future.

Erli and Lasmono (2010) examine consumer perception towards CSR in the developing country Indonesia. This research produced mixed results, suggesting that CSR is still a concept waiting to be applied in the developing country. Consumers are often unaware and unsupportive towards CSR. This is opposite finding of consumer perception in developed countries where most consumers are willing to support CSR launched by corporations. Nevertheless, there is an interesting finding, when consumers have to buy similar products with the same price and quality, CSR could be the determining factor. They would buy from the firm that has a socially responsible reputation.

Sharma et al (2009) Business organisations have woken up to the need of being committed towards CSR. This study is an attempt to explore the engagement of human resource management professionals in undertaking CSR. It suggests Human Resource Management to take a leading role in encouraging CSR activities at all levels. The combined impact of CSR and human resource activities which reinforce desirable behaviour can make a major contribution in creating long term success in organisation.

3. Objective of the study

1. To critically examine the concept of corporate social responsibilities.
2. To study the importance of regulatory framework towards CSR Practices.

3. To measure the stakeholders' perception towards regulatory framework to concern with CSR practices in Gujarat.

4. Hypothesis

H01: Stakeholders have no consciousness about regulatory framework towards CSR practices.

Ha1. Stakeholders have consciousness about regulatory framework towards CSR practices.

5. Research Methodology

5.1 Data Collections

The primary and secondary sources for the data collection have been focused. Descriptive and empirical research design is the base of the research study, that led by survey method and a well-structured questionnaire used to procure primary data from the stakeholders to study their level of awareness, views, and perception about regulatory framework towards CSR practices that are being offered by

Mahindra & Mahindra and Nirma the primary data have been collected by interview from stakeholders through a well-structured questionnaire; consisting of multiple option questions (objective type), to complete this research study.

5.2 Tools Applied

The basic pro-forma and model of the questionnaire consisting three sections, namely- A, B and C; having multiple option questions, was developed in English to know and acknowledge views and perception through survey method from the stakeholders. The questions under the questionnaire are closely related and associated with this research problem so that outcomes of the questionnaire can be analyzed for the said purpose. The Likert Scale was chosen and adopted as the measuring the preferences of stakeholders in survey instrument and in the questionnaire which is as follows-

- 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree**

6. Data Analysis And Interpretation

6.1 Analysis of Respondents' Profile on Demographic Factors

Demographic Factors	Data	Frequency (200)	Percentage
Gender	Male	137	68.5
	Female	63	31.5
Age	20 & Below	29	14.5
	21-30	32	16
	31-40	80	40
	41-50	43	21.5
	Above 51	16	8
Education	Under Graduate	47	23.5
	Graduate	69	34.5
	Post graduate	43	21.5
	Professional	41	20.5
Occupation	Govt. Employee	35	17.5
	Pvt. Sector Employee	67	33.5
	Self-Employed	43	21.5

	Professional	32	16
	Businessman	23	11.5
Annual Income	Less than 2lacs	73	36.5
	2.01-4lacs	60	30
	4.01-6lacs	33	16.5
	6.01-8lacs	18	9
	More than 8lacs	16	8
Work Experience	5 Year & Below	54	27
	6-10	72	36
	11-15	37	18.5
	16 Years & more	37	18.5

Table 6.1 Breakup of sample size of respondents' on demographical factors

6.2 Testing of Research Hypothesis

H01: Stakeholders have no consciousness about regulatory framework towards CSR practices.

Ha1. Stakeholders have consciousness about regulatory framework towards CSR practices.

The linear regression was used to test the research hypothesis. Regression analysis was conducted through SPSS version 21.0 and the significance of the coefficients and t-values were examined in order to accept or reject the hypotheses. We have t-value is significant when the calculated value of t is more than the table value of $t = 2.58$ based on two-tailed test for $p < 0.01$.

Table 6.2 presents the regression estimation to check consciousness about regulatory framework towards CSR practices. The study considered financial aspects, communal aspects, ecological aspects, and environmental aspects as independent variables and consciousness about regulatory framework towards CSR practices a dependent variable from the survey questionnaire. The statement is statistically significant because calculated value of t is greater than the table value ($t\text{-value} = 5.021$, $p < 0.01$). **Thus, we reject the null hypothesis and accept the alternative one i.e. Stakeholders have consciousness about regulatory framework towards CSR practices.** Among the four independent variables Environmental aspects (.66) has a greater influence on the consciousness about regulatory framework towards offered by Mahindra & Mahindra and Nirma followed by Ecological aspects (.59) and Financial aspects (.47).

Table 6.2: Regression estimation for consciousness about regulatory framework

Independent Variables	Standardized Coefficients (Beta)	t-value	Sig.
Environmental aspects	.66	5.021*	.000
Ecological aspects	.59		
Financial aspects	.47		
Communal aspects	.23		

Note: *t-value is significant for $p < 0.01$

7. Findings

The present research paper offers major findings about stakeholders' perception towards regulatory framework and sCSR practices. The study also has reached on some significant conclusion and findings after conducting this research study.

- The study found that there is much consciousness about regulatory framework to concern with CSR practices among the stakeholders of Mahindra & Mahindra and Nirma.
- The research study found that stakeholders are able to correlate the constructs of the study with appropriate statements in questionnaire and booked their responses adequately to make study more viable.
- Results of the study reveal that regulatory framework towards CSR practices to concern with education and allied aspects have much significantly performed by both the organizations namely; Mahindra & Mahindra and Nirma.
- Research study also illustrate about the some other variables which are based on regulatory framework under study like ecological, financial, and communal aspects. These all variables have significant role in assessing the perception towards regulatory framework to concern with CSR practices.
- Majority of the respondents belong to the male category, there are 137 (68.5%) male and 63 (31.5%) female respondent from total 200 respondents.
- Study also found that respondents who belong to the age group of 31-40, have majorly 80, (40%) contributed to the research study more sincerely in giving the responses.
- Research study considered work experience as a demographic factor in the research study where, respondent who have 06-10 years' experience are 72, (36%) out of 200 respondents, and had a major contribution in the research study.
- Research study found that Nirma and Mahindra & Mahindra both the organization in Gujarat give much

importance to the regulatory framework towards CSR practices.

8. Conclusion

The present study implies descriptive and empirical research design, based on the survey method. The primary data required in the study was collected from stakeholders of Nirma and Mahindra & Mahindra. The study basically comprises of 200 respondents through a structured questionnaire. The qualitative variables were measured on five point Likert Scale. Study concludes that there is much consciousness about regulatory framework towards CSR

practices among respondents. The regression estimation was carried out to measure the perception of the stakeholders about regulatory framework to concern with corporate social responsibility practices of both the organization. The study considered financial aspects, communal aspects, ecological aspects, and environmental aspects as independent variables and consciousness about regulatory framework towards CSR practices a dependent variable from the survey questionnaire. Among the four independent variables Environmental aspects has a greater influence on the consciousness about regulatory framework towards offered by Mahindra & Mahindra and Nirma followed by Ecological aspects and Financial aspects.

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