Corporate Social Responsibility from the Viewpoint of Indian IT Sector Companies

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Abstract
Corporate Social Responsibility (CSR) is a mechanism to address social and environmental issues and has gathered momentum in the last few decades. It is fulfilling a role wider than your strict economic role or acting as a corporate citizen. Globalization has brought not only industries and consumers closer, but also business philosophies. While the cost of being socially responsible may be significant, the cost of not practicing CSR may be far greater as witnessed through consumer boycotts, shareholder activism and the general public protests. In this light the present paper tries to focus light on the CSR practices by the companies in India in general and the Information Technology companies in India in particular.
***Key words** – CSR, Information Technology.*

1. Introduction

Corporate Social Responsibility (CSR) is a mechanism to address social and environmental issues and has gathered momentum in the last few decades. CSR has been otherwise defined as "fulfilling a role wider than your strict economic role" or "acting as a corporate citizen". At Canon, we view CSR as a true effort to influence society in a manner that earns the trust and respect of stakeholders and society. For example, Cannon India is proud to partner with UNICEF 'Awaaz Do' campaign in promoting the Right to Education in India.

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The World Business Council for Sustainable Development defined CSR as "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". Thus, the meaning of CSR is two fold. On one hand, it exhibits the ethical behaviour that an organization exhibits towards its internal and external stakeholders (customers as well as employees). On the other hand, it donates the responsibility of an organization towards the environment and society in which it operates.

According to Carroll, "CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organization at a given point of time".

CSR is about business giving back to society. CSR definition by Business for Social Responsibility is "operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business".

CSR is not a common term and there is "no size fits all". It is a container concept which encompasses many different ecological, social and economic issues. Several Indian companies talk about Triple P (People, Planet and Profit).

Often the "Strategy of Benchmarking" is used by companies to compete with their respective industries in CSR policy, implementation and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment and how customers perceive competitor CSR strategy.

2. Literature Review

A good review of corporate social responsibility literature is available in Gray (2002), Mathews (1993), Owen (2008) and Parker (2005). Belal and Momin (2009) provides a review in the context of emerging economies. Corporate social responsibility theories can be classified under the following categories:

- Decision Usefulness Theory
- Agency Theory
- Legitimacy Theory
- Stakeholder Theory

Decision usefulness theory of corporate social responsibility suggests that social and environmental disclosures are having decision significance to financial stakeholders (Belkaoui, 1984; Bengamin and Stanga, 1977; Blacconiere and Northcut, 1997; Epstein and Freedman, 1994; Firth, 1984; Graham et al, 2000; Richardson and Welker, 2001).

Agency theory, on the other hand, posits that voluntary disclosure (including social and environmental disclosure) helps a firm to reduce agency costs or prevents occurrence of future agency costs that could arise in the form of regulation (Belkaoui and Karpik, 1989; Mak, 1991; Ness and Mirza, 1991). Positive accounting theory

propounded by Watts and Zimmerman (1986) also support agency theory perspective.

According to legitimacy theory, a firm's social responsibility actions stem from the principle of legitimacy i.e. from a desire to maintain credibility and status as a responsible societal actor. From this perspective, a firm should report CSR activities to manage reputation and to legitimate its actions (Abbott and Monsen, 1979; Deegan, 2002; Guthrie and Parker, 1989; Hogner, 1982; Milne and Patten, 2002; Mobus, 2005; Roberts, 1992; Wilmshurst and Frost, 2000). According to some authors (Gray et al, 1995; Hooghiemstra, 2000), legitimacy theory provides most powerful insights into CSR disclosure. Many empirical studies provide evidence that firms do use voluntary reporting through annual reports as a strategic tool to manage their legitimacy (Campbell, 2000; Deegan and Rankin, 1996; Hutchings and Taylor, 2000; Nasi et al, 1997).

Under the stakeholder theory, a firm is not only responsible to the owners or providers of debt capital, but also is responsible to all stakeholders who are affected by the activities of the firm. Providing of information by managers is viewed as discretionary act to manage or manipulate most powerful stakeholders groups (shareholders, debt holders, employees, consumers, regulatory authorities and NGOs) (Gray et al, 1996; Roberts, 1992; Ullmann, 1985).

Cerf's (1961) study on US corporate reporting is considered to be the pioneering work that led to succession of studies in numerous countries (Oyelere et al, 2003). Examples of some early empirical studies include Buzby (1975), Singhvi (1968), Singhvi and Desai (1971). These studies mainly deal with comprehensiveness and/ or quality of disclosure in the annual reports.

Debacles like Enron and Worldcom did cause a slew of critiques against the CSR initiatives but these critiques were largely ill founded (Stoll, 2007). Many theorists have also argued about the economic impact of CSR, some relating it positively with the profit (Adenekan, 2007; Joyner and Payne, 2002) and some feeling that no such relationship exists (Aupperle et al, 1985). Bird et al, 2007 studied that the market is influenced by the independent CSR activities and also by the totality of these activities and the gains can be in terms of economic performance or social performance (Cottrill, 1990). CSR and corporate reputation are the two sides of the same coin (Hillenbrand and Money, 2007) and hence generates several benefits like improved financial performance, lower operating costs, enhanced brand image and reputation, increased sales and customer loyalty, product safety, material recycleability and greater use of renewable resources etc.

In the Indian context, there are a few studies, but most of such studies deal with volume and extent of social and environmental disclosure. One of the earliest studies on CSR reporting by public sector companies is that of Singh and Ahuja (1983). The studies of Batra (1996) and Hedge et al (1997) are in the context of CSR practice of one specific Indian public sector company viz., Steel Authority of India Limited.

Some other Indian studies are Banerjee (2001), Maheswari (1993), Paul and Pal (2001) and Pramanik et al (2007).

In a 1987 empirical study by Khan and Atkinson it was found that a large percentage of the Indian executives studies agreed that CSR was relevant to business and felt that business had responsibility not only to the shareholders and employees but also to customers, suppliers, society and to the state. Both the Indian and UK respondents felt that CSR eventually promotes "a better relationship between industry and people, a good work environment, enhanced customer relationships and enhanced corporate image of the company".

In a study of German and UK companies, it was found that the largest corporations project CSR as a comprehensive, sustainable business strategy and recognizes the business-society interdependence (Silberhorn and Warren, 2007). Govt's CSR public policies and the relationships between Government, businesses and civil society stakeholders have also known to impact the CSR initiatives (Albareda, Lozano, Ysa, 2007). It was also observed that large firms are more likely to identify relevant stakeholders and meet their CSR requirements through specific and formal CSR strategies (Perrini, Russo and Teucati, 2007). Firms with a high value for social responsibility are much more likely to engage in traditional kinds of plans for social strategy. The use of social strategy depends upon the presence of specific configurations of industry environment, resources and values (Husted and Allen, 2007).

3. Objectives
The basic objectives of our study are:

(i) to give a brief overview of CSR.

(ii) to study CSR practices of India in general and selected IT sector companies in particular.

(iii) to make an assessment of corporate social responsibility reporting practices of the selected IT sector companies in their published annual report.

4. Methodology
The present study is both explorative and empirical in nature. The explorative part examines the background, need and an overall view of corporate social responsibility. For the analytical part, a humble attempt has been made to analyze and review the current trends of CSR practices of the selected Indian IT companies. For this we would depend on secondary data obtained from the published annual report for the year 2011-12. The time frame was selected to capture the latest trends and developments of corporate social responsibility reporting practices. Data obtained from secondary sources- published annual reports and various books, journals, articles and company websites were also referred for the purpose of this study.

5. Selection of Sample IT Sector Companies

Since, the concept of CSR has gained prominence from all avenues, the present study tends to explore the current reporting practices of CSR in the annual reports of the IT sector companies. In my analysis, the top 10 IT companies out of the top 1000 companies have been selected.

The sample for this case study comprises of the top 10 IT companies in India, which have been selected on the basis of their revenue generation. They are Infosys Technologies Ltd., Satyam Computer Services Ltd., NIIT Ltd., Wipro Ltd., CMC Ltd., TCS Ltd., TATA Infotech Ltd., HCL Infosystem Ltd., PCS Technology Ltd., Zenith Infotech Ltd. The published annual reports of the above companies have been selected for the period 2011-12 to make an assessment of the current trends of corporate social reporting practices of the above 10 companies.

6. List of Items of Corporate Social Responsibility Reporting Practices

The list of corporate social responsibility reporting items in India have been scanned with respect to 8 items of voluntary disclosures as shown below. The list of items of voluntary corporate social reporting practices has been arranged in dictionary order to locate any item on a random basis. In the table below, a two-point scale has been used where the rank/ scale 1 represent disclosures made and 0 stands for non-disclosures relating to the referred items in the annual reports. List of items of corporate social responsibility reporting practices are:

- Community Involvement (e.g. development of local communities, corporate citizenship activities, support of disaster-stricken areas)
- Conservation of Energy
- Fair Operating Practice (e.g. risk management and compliance, fair competition, managing CSR, managing CSR in the supply chain, protection of intellectual property, information of security management etc.)
- Health & Safety Measures
- Human Resources
- Prevention of Pollution
- Products
- Sustainable Management of Natural Resources

7. Comparative Study of IT Sector Companies

Sl. No.	Year Of Annual Report: 2011-12					
	Items of Disclosure	Name of Sample Companies				
		INFOSYS Technologies Ltd.	*Satyam Computer Services Ltd.*	*NIIT Ltd.*	*Wipro Ltd.*	*CMC Ltd.*
1.	Community Involvement	1	1	0	1	1
2.	Conservation of Energy	1	1	1	0	1
3.	Fair Operating	1	1	1	1	1

	Practice					
4.	Health & Safety Measures	1	0	0	1	0
5.	Human Resources	1	1	1	1	1
6.	Prevention of Pollution	1	0	0	1	0
7.	Products	1	1	1	1	1
8.	Sustainable Management of Natural Resources	1	0	0	1	0

Sl. No.	Year Of Annual Report: 2011-12					
	Items of Disclosure	Name Of Sample Companies:				
		TCS Ltd.	*TATA Infotech Ltd.*	*HCL Infosys Ltd.*	*PCS Technology Ltd..*	*ZENITH Infotech Ltd.*
1.	Community Involvement	1	1	1	0	0
2.	Conservation of Energy	1	1	1	0	0
3.	Fair Operating Practice	1	1	1	1	1
4.	Health & Safety Measures	1	1	1	0	0
5.	Human Resources	1	1	1	1	1
6.	Prevention of Pollution	1	0	0	0	0
7.	Products	1	1	1	0	0
8.	Sustainable Management of Natural Resources	1	1	1	0	0

"For benefits of globalization and technology to reach the poor, the private sector, philanthropic institutions and committed individuals should cooperate and establish partnerships with the government institution. This would lift millions of our people out of poverty, provide them with opportunities and make them participate in the process and progress of globalization". – N. R. Narayana Murthy, Chairman and Chief Mentor, Infosys Technologies Ltd.

NIIT IS QUALITY AND VALUE:
Each of us will ensure that in any association with society, Society benefits substantially more than:
  A) What society gives to us.
  B) What society would gain from any other similar associations.

We will meet any and every commitment made to society Irrespective of any cost that may have to be incurred. We will ensure our profitability, long term growth and Financial stability, through the process of delivering the best, being seen as the best and being the best. We will be fair in all our dealings and Promote high standards of business ethics. (Source:- NIIT Ltd.)

OZONE was initiated in 2003 at Infosys to promote and manage environmental issues and employee health and safety. The OZONE initiatives achieved by Infosys are:

- *Awareness:* Equipped employees and trainees with an understanding on the environment, health and safety policy of Infosys and led to their taking responsibility through pledging their support for the initiative.
- *Water:* Water is recycled and reused.
- *Paper:* Goal is to reduce consumption of paper.
- *Energy:* Solar water heaters are used to reduce energy consumption. Energy saved is energy generated. Efforts are made to procure electricity via renewable technologies such as wind, mini-hydro and solar.
- *Carbon Emissions:* Renewable energy is one of the effective tools and target is to reduce energy-related greenhouse gas emissions in the near future.
- *Waste management:* Practices have been undertaken on waste segregation and disposal of solid waste. The usage of plastic and thermocol has been reduced by 90% in the campuses. Food waste is sent to the piggeries.
- *E-waste:* Though there is no legislation in India on e-waste, Infosys adheres to the Hazardous Waste (Management and Handling) Rules. Recently, a guideline on e-waste has been released by the Central Pollution Control Board (CPCB) which has been approved by the Ministry of Environment and Forests. E-waste at Infosys is sent to recycles who have valid approvals / consents from the local Pollution Control Board and CPCB.

Biodiversity is the foundation of life on earth and one of the pillars of sustainable development. The conservation and sustainable use of biodiversity is an essential element of the strategy at Infosys. Most of the campus has large green tracts of land. Besides ornamental trees, they are committed to grow aromatic, aquatic, fruit

bearing and medicinal plants. There is also use of organic fertilizer for landscaping requirements. Infosys have taken the climate change challenge very seriously and have set up a dedicated Green Team that is working toward sustainable development.

The Health Assessment and Lifestyle Enrichment Plan (HALE) initiative at Infosys focuses on increasing the emotional value-add of the employees, by optimizing their health, quality of life and work environment. The goal is to ensure healthy and happy employees who will be more productive and in the long term, add to their competitive edge in business.

At TCS Ltd., CSR is aligned with the Tata tradition of creating wealth in the community with a twin focus on Education and Society. CSR in TCS continues around the "3-Generation" approach of philanthropy, stakeholder engagement and the use of the company's core competencies to address societal problems. TCS won global recognition for its CSR activities as the winner of the Golden Peacock Global Award for CSR, leading other international corporates. TCS also won the same award at the national level at a competition organized by the Institute of Directors.

"Maitree" an association of employees and their families across the globe, is a key vehicle of CSR within the organization. Maitree has conducted Right to Information Act Awareness sessions, HIV / AIDS Awareness sessions and Environment Awareness outings for the employees as well as the community. Green Audits to check consumption of paper, water and electricity at various TCS offices and has promoted vermicomposting, rain water harvesting and paper recycling. Similar operations are undertaken by HCL Infosystems Ltd. and they operate through Mindia.

'We at HCL believe in & are very proud of the "Indian" mind. In our special way, we salute the prowess of the "India Mind" and that's how "Mindia" has come into being'. In today's world, perpetually evolving technologies and increasing competition define the global market space. The company is also continuously and successfully developing innovative measures for conservation of energy, creating environmental awareness among customers and other policies of CSR.

Findings of the study reveal that Infosys Technologies Ltd. and TCS Ltd. have disclosed voluntarily maximum number of corporate social reporting items. Infosys have disclosed elaborately and extensively CSR covering nearly 2 pages and TCS Ltd. in nearly a page. All the different parameters of CSR were covered – rural development, health care, education, conservation of energy, sustainable management of natural resources etc. Satyam Foundation of Satyam Computer Services Ltd., Infosys Foundation of Infosys Technologies Ltd. are exemplary instances of the philanthropic commitment of the corporate sector in India. Inspite of the profits they make, these foundations are aiming at uplifting of the poor and enhancing the standard of life in the rural sector. Companies like Infosys, TCS,

Wipro have been imbibing the case of social good in their operations for decades long before CSR became a popular cause.

All the sample companies have disclosed fair operating practices and human resources. Prevention of pollution have been disclosed separately only by Infosys, TCS & Wipro Ltd. NIIT have disclosed conservation of energy, fair operating practice, human resources and products as far as CSR is concerned. Zenith Infotech & PCS Technology Ltd. are relatively small companies and have not disclosed CSR except for fair operating practices and human resources. Sustainable management of natural resources like rain water harvesting, recycling of paper etc. have not been disclosed separately by CMC Ltd., NIIT Ltd., Satyam, Zenith Infotech & PCS Technology Ltd.

7. Findings & Conclusion
7.1. Summary of Findings

- It discusses corporate social responsibility as a strategic move that organizations can incorporate in their overall business strategy, thereby achieving better all-round performance.
- Even much before the use of CSR became a global concern, India was aware of CSR due to the efforts of organizations such as TATA, Infosys etc.
- IT companies like TCS and Wipro have developed software to help teachers and children in schools across India to further the cause of education.
- Several foundations run by corporate houses like Infosys, Satyam etc plan to devise a common strategy to ensure transparency in their social and community development operations.
- Most companies tend to give to charities than make long-term development commitments. "When a company voluntarily opens up for self-evaluation, it creates value for shareholders when competing with other companies", said Parul Soni, associate director of KPMG's Aid and Development Services.
- Today, besides generating profits and employment, the corporate sector is expected to stretch beyond commercial motives and address a wide range of social concerns like education, health care, rural upliftment, child development, housing and natural environment amongst others. With the accelerating pace of globalization and increasing competition, it becomes inevitable for companies to have clearly defined business practices with a sound focus on public interest. In recent years, the concept of corporate social responsibility has gained prominence from all avenues. All the sample companies have disclosed CSR in their annual reports, some put more stress than others.
- Non-mandatory disclosures on health & safety measures, an aspect of CSR have not been highlighted by CMC, NIIT, Satyam, Zenith Infotech & PCS Technologies Ltd. However, the Health, Safety & Environment (HSE) policy of Infosys is *"Infosys as a corporate citizen is committed to demonstrating a high standard of environmental protection, sharing of best practices and provision of a safe and healthy work place". This involves: (a) Conservation of resources; (b) Prevention*

of pollution; (c) Adherence to all applicable legislations; (d) Eliminating accidents, occupational illnesses and injuries at work.

- Many empirical findings suggested that a large array of advantages could arise for companies who voluntarily disclose human resource information. A team of competent, devoted and motivated employees can convert a sick concern to a successful one whereas incompetent and unmotivated personnel may squander away the existing physical and financial resources, leading the concern to bankruptcy. All the sample IT sector companies have vividly disclosed human resource information in their annual reports.

- The Ministry of Corporate Affairs has notified that companies will have to spend 2% of their three year average net profit on CSR activities from 1st April 2015. The enactment of this Act will make India, the only country mandate CSR spending through a statutory route.

7.2. Conclusion

The concept of CSR has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavour to uplift the downtrodden of society. The societal marketing of corporates has evolved into the concept of corporate social responsibility. CSR is a holistic concept and hence individuals and companies interpret it in their own meaning. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do good and get self satisfaction in return as well as societal obligation of business.

The robust growth of the Indian economy after the economic liberalization in the 1990's has induced massive changes in the IT sector. Presently, nearly all leading corporates in India are involved in CSR programs in areas like education, health care, livelihood creation, skill development and empowerment of weaker sections of society. Notable efforts have come from Infosys, TCS, Wipro among others. Although corporate India is involved in CSR activities, the Central Govt. is working on a framework for qualifying the CSR initiatives of companies to promote them further. IT sector companies all over the world are realizing their stake in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective CSR policies and adopt various instruments according to the company history, objectives and its relationship with various stakeholders so that CSR can be best implemented towards its goals – sustained environment, social and economic growth.

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