

## Corporate social responsibility practices in select software firms of India: need for a holistic approach

Prashant Vithal Kadam

Associate Professor in Economics, Dnyanprassarak Mandal's College & Research Centre, Assagao-Bardez-Goa, India

### Abstract

Corporate social responsibility has come a long way from the pre-independence to its present mandatory form in terms of Sec 13(1) of the companies Act, 1956. This has widely influenced the various companies irrespective of its sectoral nature. Though many companies did showed their accountability towards their commitment to society and the environment, but many of them were found to spend less than the required amount and in some cases some companies were not even bothered much about their social responsibility. The present study has explored the trends in the social responsibility of the corporate world in general and software industry in specific. It aims at finding the accountability of the select top software firms in India and the challenges faced by it in implementing the norms of social corporate responsibility. The study found that the software industry of India which had become highly competitive in past decade is still in its infancy stage in terms of the corporate responsibility. Many firms are yet to adopt it as a way of doing its corporate business. Some firm's contribution to the society has been existing before the amendment of the companies Act which made it mandatory for the Indian firms to share its 2% of its earnings for the betterment of the society and the environment. Though Gandhiji realised the importance of the social commitment very early in terms of trusteeship, the Indian government realised it very late. But there are still many anomalies to be resolved for a better and a balanced corporate world aiming at the maximisation of its revenue.

**Keywords:** software, social responsibility, philanthropy, IT and ITeS and stakeholders

### 1. Introduction

According to the UNIDO, "Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders (Handbook of Corporate Social Responsibility in India, 2015). Today every corporate entity has accountability towards the society just like any other individual. Just as some individuals harm the environment, so does some companies in its own way. Corporate Social Responsibility (CSR) thus focuses on reducing the negative effects to eradicate the harmful effects caused by a firm's processes and product-usage and takes steps towards increasing its positive contributions. Positive contributions can be brought about by taking proactive steps by using its resources, core competence, people and funds for the benefit of society and the environment.

CSR is a very broad and comprehensive term with its main focus on sustainable business practices. The annual reports of the companies give a reflection of the different type of CSR activities undertaken; but still most of the companies have interpreted in terms of charity rather than as a duty towards the society and the environment. Many firms like that of Tata Group, Aditya Birla Group, Indian Oil corporations etc have engaged themselves in serving the community interest in terms of their donations and activities (Kumar, 2014) [3]. There are other

Companies like Wipro, Infosys which have established foundations to undertake such activities. As such, CSR has

been a voluntary activity in India. The CSR regime in India is in its infancy stage and there will be hiccups, and a lot of fine-tuning will be required before we hit the perfect balance. However it should be noted that many of the Indian IT firms along with other firms have accepted the CSR norms as a part of its business activity at large.

### 2. Objectives of study

1. To understand the trends of CSR in India
2. To examine the software firms accountability in CSR and its impact
3. To determine the challenges in CSR for Software Companies.

### 3. Research Methodology

The research paper examines the concept of CSR in software firms of India on the basis of secondary data sourced from various journals, magazines, articles and reports. The data has been further analyzed in terms of SPSS to get an insight of CSR adopted by the software companies and its impact on its performance and vice-versa, wherever possible.

### 4. Trends of CSR in the Country

Philanthropy in India has had a long history. Historically initiatives in this regard were taken mainly by the rulers and wealthy merchants who constructed Dharamshalas and provided for drinking water facilities for poor during their travel. Danam was a tradition that rich and 'wealthy merchants' followed at special occasions or during famines or similar adversities by opening their granaries.

CSR in a more formative way came into being during the freedom movement. Gandhi's concept of 'trusteeship' for businesses has been a definitive point in the evolution of CSR.

(Indian CSR Report, 2013). He conceived trusteeship as a system wherein the individual considers that part of his wealth which is in excess of his needs, as being held in Trust for the larger good of society and acts accordingly. Gandhi’s concept of Trusteeship was evolved from his understanding of Bagdad Gita’s concept of *Nish am Karma*, or action without desire. His idea of trusteeship basically is based on principle of economic conscience, a dynamic model of the concept of economic organization coupled with moral imperatives. He also foresaw criticism of CSR for being used as a marketing tool, and said ‘My theory of trusteeship is no make-shift, certainly no camouflage.’ According to CSR Asia, “CSR is a company’s commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders”.

In 2009, India was ranked among the top ten Asian countries for its corporate social responsibility disclosure norms. Further The Ministry of Corporate Affairs, Government of India issued CSR Voluntary Guidelines in 2009 with the objective of imbibing the culture of social responsibility in the governance practices of corporates. The Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises issued guidelines of CSR for central public sector enterprises in March 2010. The guidelines provided that the company specific CSR strategies should be developed that mandate the design of CSR Action Plan with a shift from the casual approach to the project based accountability approach (MHI&PE, 2010). So while the central public sector enterprises were mandatorily required to commit certain percentage of profits towards CSR activities, the private sector was exempted and it was engaged in CSR activities on a voluntary basis.

It is only since 2012-13 that firms started allocating funds for CSR activities specifically in response to the Securities and Exchange Board of India (SEBI) circular dated August 2012, which mandated all top 100 listed companies to include

business responsibility report as a part of their annual report. Therefore the year 2012-13 marked in the era of CSR. Further, The Companies Bill 2011, which took seven years of discussions, got passed in Lok Sabha (Upper House) in 2013, mandated for CSR expenditure by corporates. India has become the maiden country in the world with legislated CSR Provisions. The provision under Section 135 of the new Companies Act provides that a company which has a net worth of Rs.500 crores or more or turnover of Rs.1, 000 crores or more or net profits of Rs.5 crore or more during any financial year will have to spend at least 2% of the average net profits made during the three immediately preceding financial years towards the implementation of its CSR policy (w.e.f. 1<sup>st</sup> April, 2014).

The last decade of the twentieth century witnessed a shift in focus from charity and traditional philanthropy toward more direct engagement of business in mainstream development and Concern for disadvantaged groups in the society. In India, there is a growing realization that business cannot succeed in isolation and social progress is necessary for sustainable growth. An ideal CSR practice has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well socio-economic status. Though the government has undertaken lots of initiatives for the socio-economic development of the country, but the gap between “India and Bharat” needs to be bridged. It’s a herculean task for the government alone to reduce this gap and thus the corporate sector has to shoulder its philanthropic task for social and economic development with sustainability. It is expected that the operational partnership between corporate, NGO’s and government will make India’s economic growth and social development more inclusive.

In the light of the amended legislation, the CSR strategies adopted by the different industries are shown in Table (1).

**Table 1:** Sector-Wise Performance (Actual & Prescribed CSR Spend In INR Cr.)

Year	Auto & Ancillaries	Banking & Finance	Software& Hardware	Pharmaceuticals	Oil
2014-15	183 (291) 62.89%	702 (1161) 60.465%	690(763) 90.43%	143 (228) 62.72%	1586(1739) 91.2%
2015-16	249 (249) 100%	1178(1369) 86%	774894 87%	189(256) 74%	1368 (1508) 91%

Bracket ( ) values indicate the Prescribed CSR, followed by its %age

Source: Ngobox.org

Table (1) shows the variations in the prescribed and the actual CSR expenditure incurred by some of the emerging sectors of the Indian economy. The auto and auto ancillaries have been the only sector which has achieved 100% in terms of its actual

and prescribed CSR expenditures. The other sectors have shown an increase, but in case of software and hardware, it has marginally reduced.

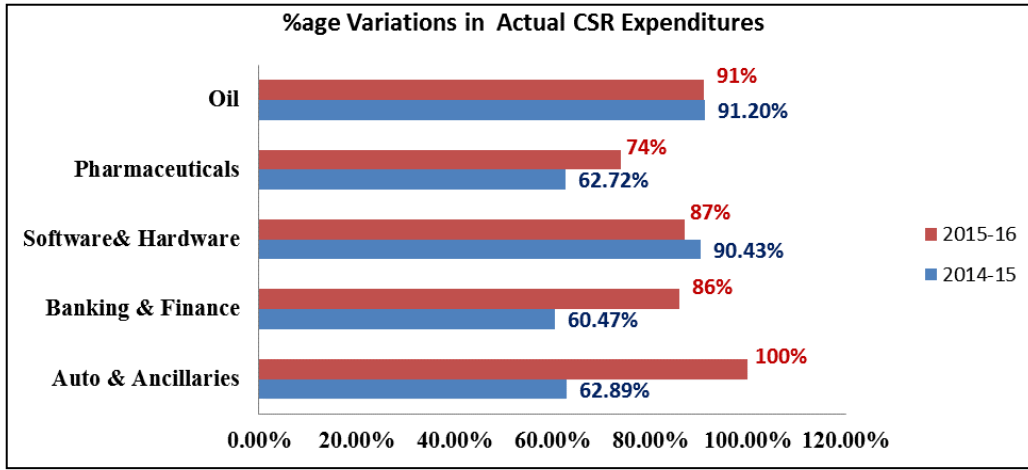


Fig 1: Variation in Actual CSR Expenditures

The oil sector has almost remained constant. It should be noted that the steel sector has however shown 128% in terms of its actual and prescribed. It has incurred an expenditure of Rs. 378 crores against the prescribed limit of Rs. 294 Crores in 2015-16. Overall, There has been substantial improvement in the actual CSR spend to prescribed CSR in 2015-16. While it was 79% in 2014-15, it has increased to 92% in last financial year.

**5. CSR in IT and ITeS industry**

Notwithstanding its contributions to the GDP growth of the country and the employment opportunities it has created, the IT industry is also obliged to meet its responsibilities towards curbing some of the social problems prevalent in India.

CSR is not a new phrase for Indian IT firms. Many IT firms have already incorporated corporate social responsibility concepts in their core values. However, it also appears that there is no real consensus about what it really means. According to a survey conducted by Nasscom a few years back on IT firms, understanding of corporate social

responsibility and its importance to their firms, the key barriers to CSR used to be a lack of knowledge of the concept, insufficient resources and lack of commitment. Moreover, though many international standards were available to support, measure and assist companies implementing CSR, most of the firms did not follow those guidelines in the past.

Further, the practice of CSR in India still remains within the philanthropic space. It has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports. The three P's; People, Profit and Planet have started determining and shaping the CSR strategies among the software as well as other firms today.

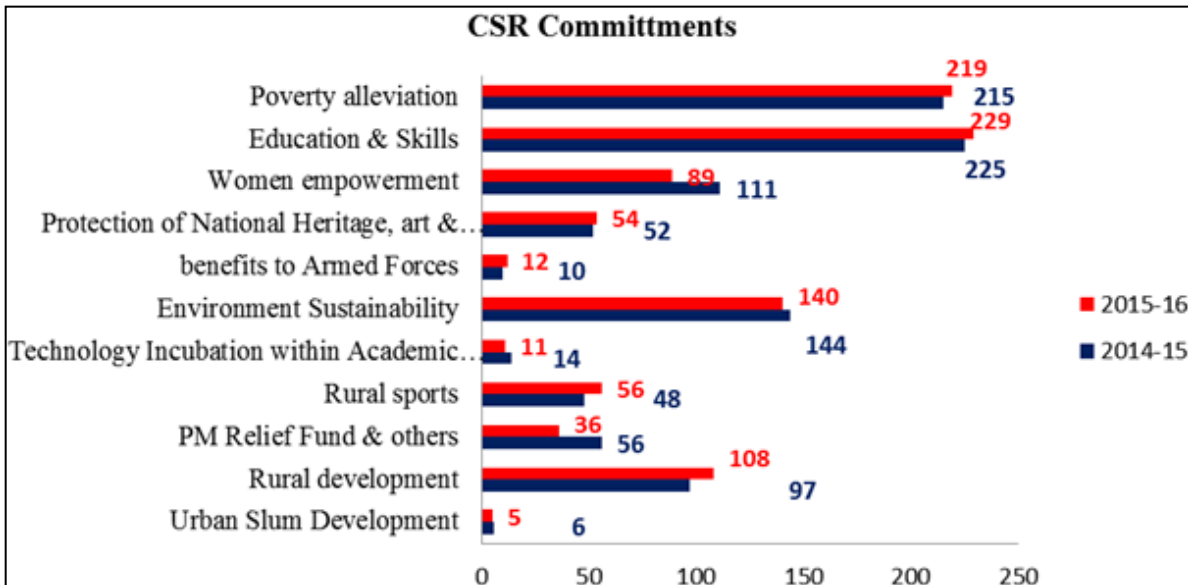


Fig 2: Nature of CSR Commitments by Corporate Firms (In numbers)

Figure (2) shows the commitments of the Indian corporate firms to CSR in terms of its investment in the following

domains. It is found that most of the corporate firms invested their 2% of their revenues in imparting education and skills

and in alleviating the poverty. It has also shown a marginal increase over the last two years. The CSR expenditure of corporate India has shown a bias towards health, poverty sanitation, education and skills building activities. It was almost 63% of the total CSR of Rs 9822 crores in the country in 2015-16. There was a decline in the funding related to environment, women empowerment and slum development (11%)

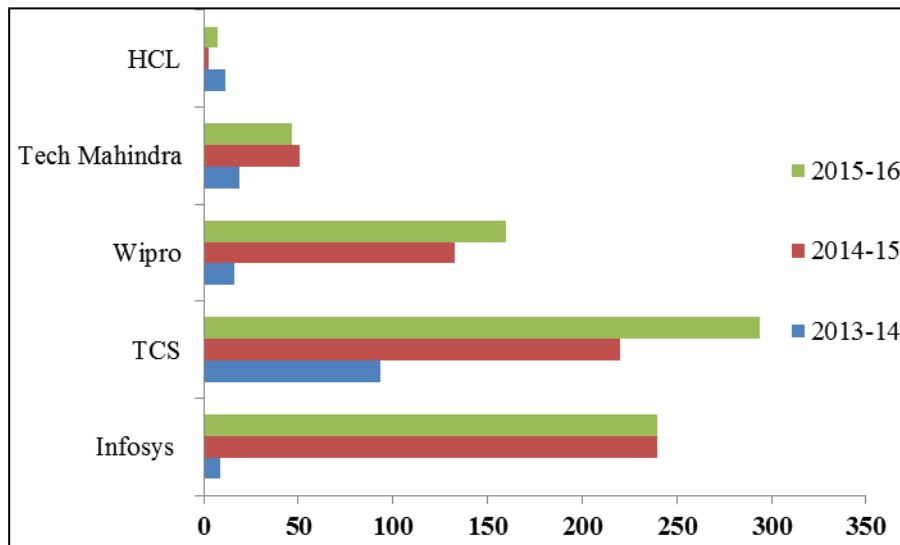
**5.2 CSR Expenditure of Select Software Firms (INR Cr.)**

Table 2 shows the amount of expenditure incurred by some of the software firms from 2014-15 to 2016-17.

**Table 2: CSR Expenditure of Select Software Firms (INR Cr.)**

	2013-14	2014-15	2015-16	2016-17
TCS	93.6	220	294	379.7
Infosys	9	239.54	202.30	287.42
HCL	2.88	7.28	NA	NA
Tech Mahindra	18.62	50.5	46.91	NA
Wipro	16	132.7	159.8	NA
KPIT Technology	NA	2.7	NA	NA
Mindtree	NA	4.01	NA	NA
Oracle	NA	11.90	NA	NA
Polaris	NA	3.31	NA	NA

Annual Reports



**Fig 3: CSR Expenditure of Select Software Firms (INR Cr.)**

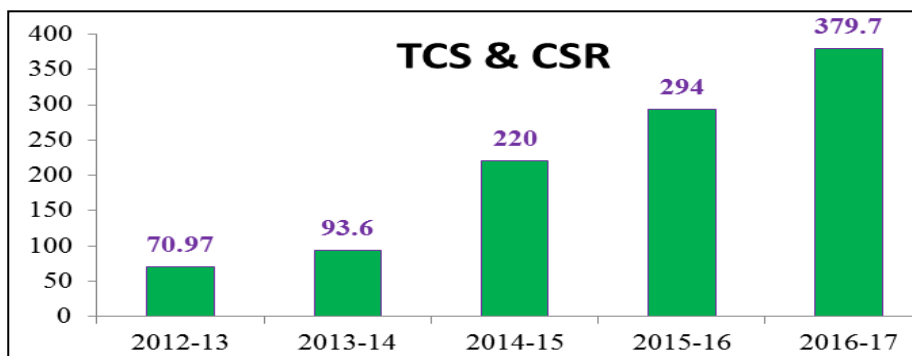
**5.3 Indian IT corporations and CSR activities**

TCS has always recognized the responsibility corporations should have towards the wider communities in which they operate. TCS’ community initiatives have been in areas addressing environmental and civic problems: Setting up and maintaining infrastructure for urban beautification, pollution reduction, healthcare, waste management in the office environment, tree plantation and water treatment.

At Tata Consultancy Services (TCS), sustainability is seen as

a state of being in balance between Corporate Economic Responsibility (CER) and Corporate Social Responsibility (CSR).

(Corporate Social Responsibility at TCS, 2014). The core areas where TCS has aligned its CSR activities are education, health, and environment. It should be noted that most of the CSR initiatives by TCS has been done through its own trust. The expenditures incurred by TCS has been shown in Figure 3.



**Fig 4: TCS and SCR Expenditure**

The company reported that in the year 2011-12, TCS associates has volunteered 58,362 hours on CSR activities, reached out to over 57 million beneficiaries, and reported social spend of 51.39 crore INR. These expenses were initially spent as a part of its charity programs, which since the

inception of the CSR norms have taken the shape of CSR social cost which has shown an increase over time. In 2015-16 it was 294 crores of rupees. It should be noted that 70% of the expenditure was made through TCS foundation. Some of the



supported activities included Tech support for hospitals and child line software to track missing children's.

Wipro Cares is an initiative by the Wiproites, their family members and friends to contribute in the areas of education, community and social development. Wipro Cares contributes through a two-pronged strategy: Providing rehabilitation to survivors of natural calamities and enhancing the learning abilities of children from the underprivileged sectors of society.

Out of the 132.7 Crores spent on CSR activities in 2014-15, program of higher education in Engineering and Technology linked to skills development for the IT Industry' received over 58% of total expenditure. Infact Wipro has partnered with around 68 implementing agencies like IIM Bangalore and BITS Pilani and also includes a private sector company, Bhoruka Power Corporation Limited.

Infosys has been an early adopter of CSR initiatives. It established its Infosys foundation in 1996, aimed at providing a dedicated approach to community development and its CSR commitments.

The Infosys Foundation has worked to support the underprivileged in society and enrich their lives. Promoted by Infosys Technologies Limited, the Foundation began its work in Karnataka, India, gradually extending its activities to the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa and Punjab. It has successfully implemented projects in four key focus areas of healthcare, social rehabilitation and rural upliftment, learning and education, and arts and culture.

HCL Foundation (HCLF), established in 2011, as a not-for-profit organization, seeks to engage with various stakeholders to bring about developmental changes in a holistic manner. The Foundation was formed on the belief that every HCL employee can make a difference and is funded through employee and organizational contributions. Community-based programs and activities are planned with a keen focus on sustainability and employee engagement. Over the years, the Foundation has expanded its focus and activities and plays a significant role in realizing the overall sustainable agenda of the company. HCL Foundation has committed Rs. 1 billion towards CSR initiatives over the next five years.

To achieve the above, HCL Foundation has developed two unique programs:



**1. Project Samuday** - HCLF will undertake developmental work in about 170 Gram Panchayats in the state of Uttar Pradesh, India. HCLF would be working closely with the state

government and key stakeholders in the communities to address issues in a sustainable manner to turn selected villages into "Model Villages".

**2. HCL Grant** - HCL has created the HCL Grant to support the institutionalization of the Fifth Estate (NGOs) through the creation of strong governance frameworks and management capabilities. The Grant envisions building sustainable communities by supporting NGOs and individuals who are doing path-breaking work towards high-impact transformation in India.

Further every Software organization, no doubt have been concentrating on the education and the skill development programs in the name of CSR, but this has turned out to be beneficial for the software firms itself. For Example, NIIT has developed several strategies, such as 'Hole in the Wall' to provide low cost IT education to the youth in selected areas. This introduces NIIT to youth hailing from low income families. Infact this is also bringing NIIT income from CSR programmes of other corporate who find these programmes quite attractive, thus bringing a stream of income to NIIT, making the programme quite successful.

**Tech Mahindra:** Has been implementing its CSR initiatives through its foundation which was established in 2007. Its basic emphasis has been empowerment through education. Infact 50% of its beneficiaries has been young women's. Only 10% of it's has been with disabilities. Further it has also been running its skill building program called SMART, which has been imparting the educational skills to various under-privileged sections of the society.

## 6. Challenges of CSR

The Challenges are broadly classified into two categories; namely software companies specific and other companies in general:

### A. Challenges for Software Companies

The software industry has a responsibility and the potential to contribute solutions to the world's sustainability challenges. Based on the Business for Social Responsibility (BSR) Software Working Group model, the report identified three key steps software companies can take to collaborate on CSR issues:

- For the software industry, the most important issues are innovation and software solutions to achieve sustainable development; governance, ethics, compliance and transparency; global workforce management and employee engagement; access, privacy and security; and environmental issues such as energy management and climate change. Although there is substantial activity underway, more attention and efforts are needed to make progress in these areas.
- Engage with stakeholders in ongoing discussions and activities: In many industries, stakeholders have a limited view of the business challenges and opportunities related to sustainability. Likewise, business leaders often miss out on important discussions about sustainability trends affecting their own company and partners throughout their industry's value chain. Ongoing dialogue builds mutual understanding and insights, particularly in an industry such as software, where CSR is a new priority.

- The threshold limit of Rs. 5 crores net profit for applicability of CSR requirement seems, in comparative terms, to be on the lower side vis-à-vis net worth and turnover threshold of Rs. 500 crores and Rs. 1000 crores respectively. This may result in companies getting covered under CSR even when they do not meet net/worth/turnover criteria.

### B. General Challenges to Companies

Lead the industry through research on emerging trends and opportunities: By providing thought leadership, companies can accelerate conversations internally to tap into employees' enthusiasm for sustainable development. Innovation sparked by interactions among stakeholders with different expertise and viewpoints can result in breakthrough products and services. For example, pairing environmental experts, software developers and marketing gurus can be the source of product innovation to address sustainability challenges.

- There is a greater need of accepting CSR by the stakeholders of the society and firma at large. General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it. Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity
- Small companies do not take adequate interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they lose out on people and their trust in them.
- Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. However, media is not doing enough in this regard.

### 7. Conclusion

The CSR is not a new concept. Companies have always to some extent tried to acknowledge the responsibility towards the community. CSR today, is seen as something more far-reaching, engaging at a much wider level with business operations and relations with communities. It embraces the triple bottom line and requires attention to be paid not only to economic performance, but to environmental and social impacts as well. It is essentially about business contribution to sustainable development and how best to maximize that contribution. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies.

Until now, donations by firms were driven by their interests; it was arbitrary, and in some cases very small in comparison to the size of the firms. The CSR activities of the firms depended upon the nature of their industry and restricted to the area where the firm was located. This was largely driven by factors such as cost minimization and "visibility" among the consumers. But this may change with the new law. Firms may be driven to diversify their areas of operation and part of population which had been left behind in the development process may gain tremendously. The concept of CSR has come to stay and will have its impact on the societal development and development only, provided a balanced,

regulated CSR approach is implemented systematically by the government of India.

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