



## Corporate Social Responsibility and Its Impact on Business Performance

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### Abstract

Corporate social responsibility is a initiatives taken by corporation's for the welfare of society, employee, customer etc. In this paper we study Impact of corporate social responsibility on business performance. In today scenario companies taking CSR as investment and from this investment they get return in future like increase customer retention, retain and maintain happy work force, positive publicity, manage risk, differentiate yourself from competitor. Modern customer is well educated he knows everything ,so don't accept unethical business practices or organizations who act irresponsibly. So we discuss the impact of CSR on business performance in this study.

### Keywords

Corporate social responsibility , society, customer ethical practices

### Objective

- To study the concept of CSR
- To study the impact of CSR on Business Performance

### Methodology

The paper is based on secondary data and data is collected from published reports, journal, magazines. Different new articles, books and web were used which were enumerated and recorded.

### Introduction

Over the past few year CSR as burning topic for research or business sense. It captures a spectrum of values and criteria for measuring the company contribution to society . CSR is overlapping concept such as corporate citizenship, business ethics, stakeholder management ns sustainability.

Definition given by European union: "the concept that an enterprise is accountable for its impact on all relevant stakeholder. It is continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well of the local community and society at large"

8 areas which the European commission will focus
1. Awareness raising and best practice exchange
2. Support to multi stakeholder initiatives
3. Cooperation with member state
4. Consumer information and transparency
5. Research
6. Education
7. Small and medium enterprises
8. International dimension of CSR

### Corporate Social Responsibility in Indian context

Corporate social responsibility in India is not new concept. Corporate like Tata Group , Indian oil corporation and many other involved in CSR since inception. India is the first country in the world who make corporate social responsibility mandatory , following an amendment to The Company Act

2013 in April 2014. Indian economy is developing economy so companies invest their part of profit in such areas like education , poverty, hunger etc

The amendment notified in the schedule VII of the companies Act advocates that those companies with a net worth Rs 4.96 billion or more , or an annual turnover of Rs 9.92 billion or more or net profit of Rs 50 million or more during a financial year, shall earmark 2 percent of average net profit of three years towards CSR. It is mandatory for those companies having one female member in company board.

#### **Four Phases of CSR Development in India**

**First phase:** In the first phase charity and philanthropy were the main drivers of CSR. Culture , religion, family values and tradition and industrialization had an influential effect on CSR . This period is pre industrialization last till 1850

**Second phase:** In second phase during independence movement, there was increased stress on Indian companies to demonstrate their dedication towards the progress of the society. Under the Gandhi leadership business houses established trust for school , colleges and also help in setting up of training and scientific institution.

**Third phase: (1960-80)** public sector was seen as prime mover of development. Because private sector forced to be backseat due to strict rules and regulation.

**Fourth phase:(1980-2013)** in this Indian companies making their traditional engagement with CSR and integrated it into a sustainable business strategy .

#### **Current State of CSR in India**

In India CSR is compulsory from April 2014 as per Companies Act 2013. Now Companies have specialized teams that formulate policies , strategies and goal for CSR program and prepare special budget for fund them.CSR program ranges from community development to development in education, poverty, hunger etc.

#### **Corporate Social Responsibility Examples in India**

##### **Tata Group**

Tata group having many projects of CSR, most of which are community improvement and poverty alleviation program. Through self help group, it is engaged in women empowerment activities, rural community development and other social welfare programs. It also provides educational scholarships to poor and bright students. Group also involve in healthcare project provide awareness about AIDS.

##### **Mahindra &Mahindra**

*Mahindra and Mahindra group established the K.C . Mahindra Education Trust in 1954 with the purpose of promoting education. Company mainly invest in scholarships and grants , health care in remote area etc. Company runs Nanhi kali program for girls education.*

##### **HDFC Bank**

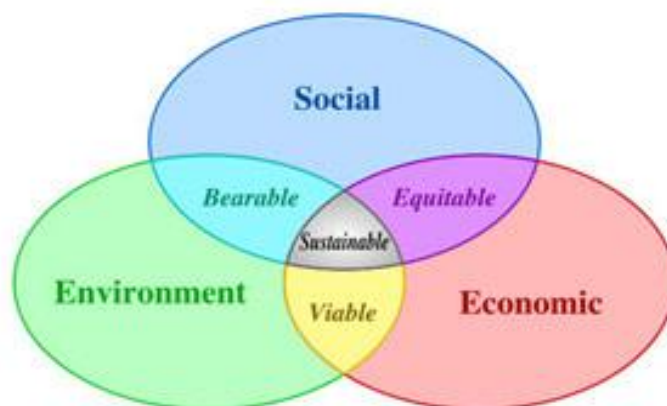
At HDFC Bank, Corporate Social Responsibility is all about developing a business model that not only creates economic value but also contribute to a healthy ecosystem and strong communities. Bank having many projects like sustainable livelihood, sanitation, education, skilling, go green and many more.

##### **ITC Group**

ITC Group having e-choupal program, which aims to connect rural farmers through the internet for procuring agriculture products ,over 40,000 villages and four million farmers.

#### **Impact of corporate social Responsibility on business performance**

CSR and Business Performance having positive relationship. CSR is “doing good” strategy of business and it is win-win strategy for corporate and as well society. Some of benefit provided below:



### **Risk Management**

CSR activities help companies to manage social risk which may arise due to operational activities. As companies get a social license to operate and help to maintain good image in society.

### **Satisfied employee:**

Employee feel proud to work in organization who indulge in CSR practices. They have positive attitude towards organization due to this work force turnover is less. Companies get more application at the time recruitment , which means more choice and better work force.

### **Costs Reductions:**

A company can reduce its cost through CSR such as high retention of work force and efficient staff, managing risk and liabilities effectively and less investment in advertisement.

### **Satisfied customers:**

CSR improves customer attitude towards the company. If customer is happy with company so he buy more product of that company and chances of shift to other brand is very less.

Research said : better business journey, uk small business consortium “ 88% of consumers said they were more likely to buy from company that supports and engages in activities to improve society”.

### **Strengthened Brand Positioning:**

Companies engage in CSR positively influence the perception of the people. Thus improve the brand image in the eyes of the consumers, community, employees, suppliers, government.

### **More business opportunities:**

Business must be a constant dialogue with customer, suppliers and other parties that affect the company. because of continuous interaction external parties organization early recognize the new business opportunities.

### **CSR Trends in India**

- In 2015 there is 28 % growth in CSR spending in comparison to the previous year.
- Listed companies in India spend Rs 83.45 billion in various programs ranging from educational programs, skill development, health care.
- 418% increase in Prime Relief Fund in 2014-15
- In 2017 CSR spends are forecasted to further rise with corporate aligning their initiatives with government programs such as Swachh Bharat and Digital india to boosting inclusive growth.



## Conclusion

CSR is now generally considered as integral part of strategy for any organization and built into the strategic planning process. There is positive relationship between CSR and business performance. It is investment of the organization which to survive in society at less cost. CSR trends show that in India CSR is important tool to get hidden benefit which is not possible without this . As far as possible, CSR initiatives should be designed in a sustainable manner and result oriented. CSR creating indirect advantages such as social capital, business opportunities and most important nation building.

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