

# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Corporate Social Responsibility (CSR) as a Business Practices: A Study Based on Sugar Industries

MS. SANDEEP KAUR

DR. ANJALI SINGH

### ABSTRACT

Corporate Social Responsibility (CSR) is a concept whereby companies incorporate social & environmental concerns in their business operations and their interaction with the stakeholders. A paradigm shift can be observed in the approach, from profit and sale maximization to social responsibility to endeavor the sustainable development. The magnitude of this paper is to focus on the four domain model (Carroll's CSR Pyramid) as practiced by the top three sugar industries of India in their CSR activities to cater the need of sustainable development. Present paper takes reference of E.I.D. Parry India Ltd, Dhampur Sugar Mills Ltd. and Balrampur Sugar Mills Ltd. and shall be discussing their contribution in health, education, sustainable livelihood and infrastructural development of surrounding rural areas.

**Keywords:** - Corporate Social Responsibility, CSR pyramid, CSR Policy, CSR activities.

### INTRODUCTION

The concept of corporate social responsibility (CSR) can be understood in various means. These cover corporate responsibility, corporate ethics, corporate accountability and corporate citizenship, which describes the roles and responsibility of companies towards the society rather than only aiming to maximize profit. The objective of the CSR is to hold responsibility for the company's action and encourage a positive impact through its activities on the consumers, employees, communities, environment, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

The World Business Council for Sustainable Development (WBCSD) defines, CSR is 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.<sup>1</sup>

In earlier era, the basic responsibility of business enterprises is to safeguard the interests of their shareholders through earning a reasonable return on their investment (Friedman, 1970).<sup>2</sup> Due to profit maximization action, the damage done by companies through their products and processes to the planet became irreparable. So the Government across the globe made CSR mandatory through legislation that companies have to follow certain guideline like spending certain amount of their profit on social welfare. And the modern corporations are putting considerable focus on the economy, politics, and on society of the nation (Baxi 2006)<sup>3</sup> for sustainable development. CSR and sustainable development both are integral on one factor that is environment and both emphasize stronger environmental preservation, recycling and renewal programs.

Therefore, to categories the responsibilities Carroll had proposed a CSR pyramid. It is a tool for measuring the level of CSR at the firm based on how they fulfill their responsibilities towards the society. (Carroll 1990) Countries on the path of development should focus significantly on the planning and implementation process of the CSR. They can make options for lifting social area advancement; a proposed course is by creating practical, vital public-private partnership. Presently, the greatest test for the administrations in the developing countries like India is to make CSR rehearses approaches and support a strong structure, which will help corporate and society make an interpretation of public strategies into expectation.

## **FOUR DIMENSIONAL MODEL OF CSR**

(Carroll's CSR Pyramid)

One of the most prominent and widely approved conceptualization of CSR known as the pyramid of CSR was developed by Carroll (1979) which constituted CSR with four dimensions of social responsibilities including economic, legal, ethical and philanthropic. The concept of CSR had been widely supported by empirical researches and based on Carroll's CSR pyramid, Hemphill (2004) count up the four layers of CSR as to be profitable (economic), obey the law (legal), be ethical (ethics) and to be good corporate citizen (philanthropic)

---

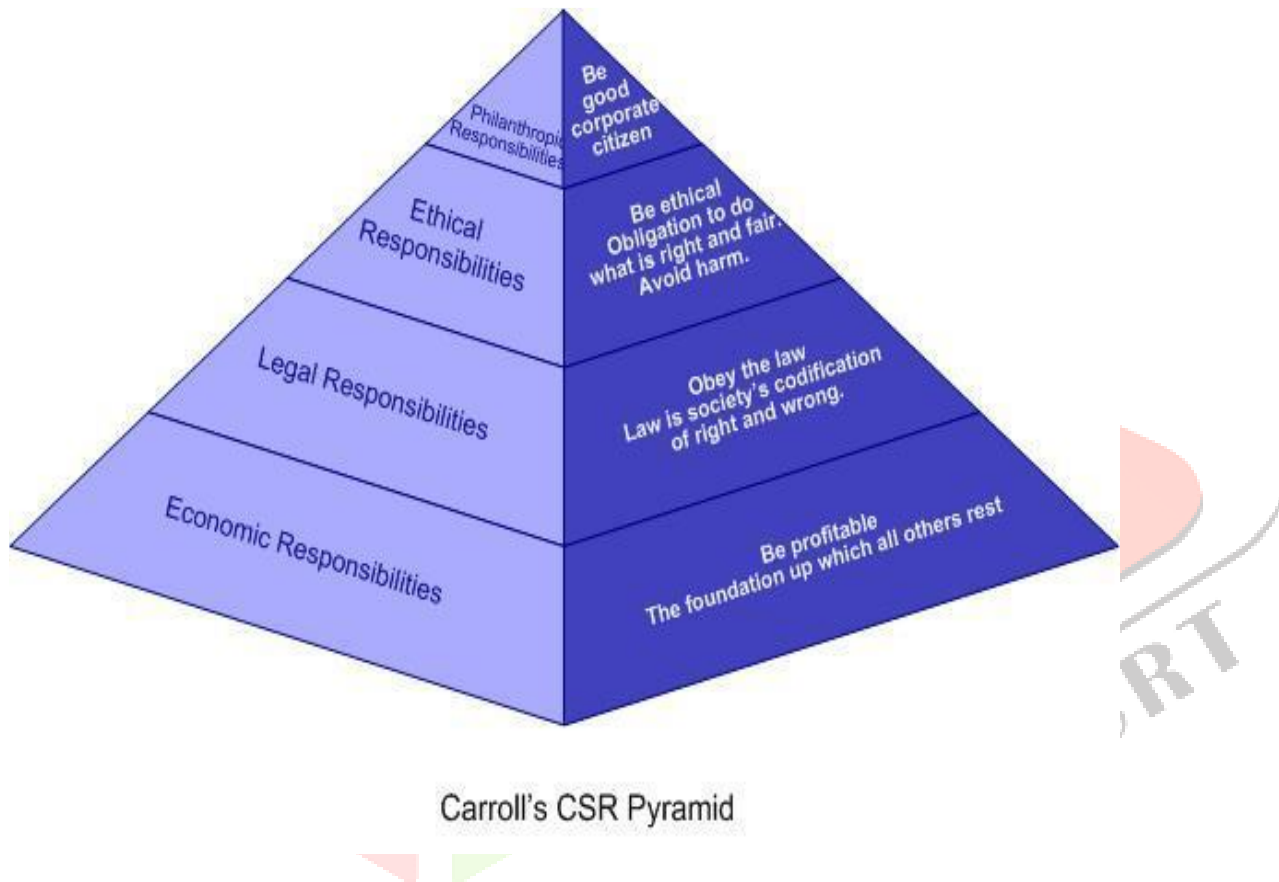
<sup>1</sup> <https://www.wbcsd.org>.

<sup>2</sup> Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. The New York Times Magazine.

<sup>3</sup> Baxi, C. V. (2006). The Role of Independent Directors in Corporate Governance, Sage Journals.

### Economic responsibility

It is worth noting Carroll's pyramid of CSR begins with the economic performance. According to this principal, if a firm is not making profits and is not providing high quality of goods and services to meet consumers need, it cannot be considered socially responsible even when the firm has devoted many efforts in the social causes. The economic responsibilities are foundation upon which all rests and refers to the firm's responsibility towards their shareholders (Carroll 1999)



### Legal responsibility

Carroll advocates that the fulfillment of legal responsibilities is essential for all corporations seeking to be in the business. Legal responsibility of corporate is that in relation to the regulations of law, they stand by the legal requirements and play by the rules of the game.

### Ethical responsibility

This responsibility compels corporate to do what is right and fair even when they are not obliged to do so by legal framework. Carroll said that, "ethical responsibility are about to accept norms, standards that reflect a concern for what consumers, shareholders and community regards as fair. It is simply about respecting and protecting stockholder's moral rights.

### Philanthropic responsibility

Philanthropic responsibility is refers to corporations acting as a good corporate citizen, be contributing resources to the community and improves quality of life. According to Carroll, philanthropic responsibility is the most preferred one by business firms because it helps firms to create a good social image.<sup>4</sup>

### **THE INDIAN POLICY OF CSR**

The concept of CSR is not new in India, corporate like the Tata group, the Birla group and Indian Oil Corporation Ltd have been involved in serving the community ever since their inception but the first attempt by government of India to introduce CSR guidelines in 2009 by the Ministry of Corporate Affairs (MCA,2009). In these guidelines, the importance of CSR was discussed in context of corporate governance reforms and also highlighted the social benefits stemming from it.

The guidelines of 2009 were followed in 2011 by the national voluntary guidelines of social, environmental and economic responsibilities of business were also issued by the MCA (MCA, 2011). These guidelines were based on the facts received from the stakeholders across the country and accomplished nine principles for business to function in responsible manner to promote inclusive economic growth at the national level. The most ambitious attempt of CSR activities for companies came when the government of India introduced The Company Act, 2013 which made mandatory for companies to undertake CSR activities. The concept of CSR is defined in clause 135 of the act, and it is applicable to companies which have an annual turnover of Rs 1,000 crore or more, or a net worth of Rs 500 crore or more or net profit of Rs 5 crore or more. Under the clause these companies are supposed to set aside at least 2% of their average profit in the last three years for CSR activities. The law has listed out a wide spectrum of activities under CSR, which cover activities such as promotion of education, gender equity and women's empowerment, combating malaria and other disease, eradication of extreme poverty, Contribution to the PM national relief fund and other central funds, improving maternal health, environmental sustainability and employment enhancing vocational skills among others.<sup>5</sup>

Subsequent to the passage of the act, the ministry of corporate affairs notified the rules with respect to the CSR on February 27, 2014, in which, companies cannot exceed five percent of the total CSR expenditure on their own employees. The rules drafted under section 135 of the act, came into force from April 01, 2014.

<sup>4</sup> Carroll. (1991). The pyramid of CSR: Toward the moral management of organizational stakeholders .business horizons 34(4): 39-48.

<sup>5</sup> The companies act 2013, Satyanarayana,p. Corporate social responsibility: a study of selected organization. Department of commerce & management studies. Andhra university (2013)

## **CSR ACTIVITIES OF SELECTED SUGAR INDUSTRIES**

### **E.I.D. Parry (India) Limited**

E.I.D. Parry (India) Limited believes that social responsibility is not just corporate obligation that has to be carried out but it is one's dharma. E.I.D. Parry has been carrying out CSR activities for a long time through AMM foundation (AMM), while also extending CSR activities to the local communities in and around its factories located in the states of Tamil Nadu, Andhra Pradesh and Karnataka.

E.I.D. Parry had identified the following broad areas with focus on quality services, delivery and empowerment: providing basic health care facilities to economically backward societies across geographical areas, improving access to education, provision of skill development, vocational training, rural development, environment sustainability, promoting sports, arts culture and sustainable livelihood.

As per provisions of section 135(5) of the Companies Act, 2013; this company is not required to spend any amount on CSR activities for the year 2018-19; since the average net profit is negative but still company has voluntarily spent a handsome amount of Rs 120.40lakhs on CSR activities.

The details of CSR expenditure during the financial year 2018-19:

| <b><u>CSR ACTIVITIES</u></b>                                   | <b><u>EXPENDITURE (LAKHS)</u></b> |
|--|-----------------------------------|
| 1- Healthcare Activities                                       | 57.01                             |
| 2- Education   | 24.83                             |
| 3- Infrastructure Development                                  | 10.14                             |
| 4- Sustainable livelihood                                      | 24.41                             |
| 5- Financial assistance to the war widows and their dependents | 4.00                              |

TOTAL EXPENDITURE= 120.40LAKHS<sup>6</sup>

### **DHAMPUR SUGAR MILLS LIMITED**

Dhampur Sugar Mills Limited is one of the largest integrated sugar mills in the country. Beside sugar, the company's key product is manufacturing of ethanol and power generation using by product. This diverse basket of products helps the company de-risk from business cyclicity while maximizing returns. The company had proposed to undertake activities relating to promoting education, sports, good agricultural practices, skill development and women empowerment etc.

<sup>6</sup> <https://www.eidparry.com/wp-content/uploads/2019/07/EID-AR-2019-WEB-VERSION.pdf>

The company's average net profit for last 3 financial years is Rs. 189.78crores and the 2% of net profit is 3.80crores, which company will spend on various CSR activities.

The details of expenditure on CSR activities are given below:

| <b><u>CSR ACTIVITIES</u></b>   | <b>EXPENDITURE (Rs.)</b> |
|--|--------------------------|
| 1- Education- support to schools in rural areas.                       | 1,69,00,000              |
| 2- Protection of national heritage art and culture.                    | 1,00,00,000              |
| 3- Eradicating hunger, poverty and malnutrition, promoting healthcare. | 25,00,000                |
| 4- Promoting gender equality and empowering women.                     | 50,000                   |

Annual Report of Dhampur Sugar Mills Ltd (2018-19)<sup>7</sup>

### **BALRAMPUR CHINI MILLS LIMITED**

The CSR activities of the company are focused on social empowerment and welfare, sustainable livelihood, health care and education. Various activities have been initiated during this year in neighboring villages around its plant locations. In line with CSR commitment, the company spent Rs. 1092.89lacs being over 2 percent of average net profit of the company for the last three years for the purpose of CSR.

<sup>7</sup><https://www.dhampur.com/Main/PdfViewer.aspx?16YDXiX7AdAg3nSiElnDEJdDtCPS6i26GKykoB%2f32PnclYdriW0zCTVb5B%2bYIXXydnrPMcVw3Kd3E9O3%2f%2fohktMkliO%2bJT6cqnecoGrCy1U%3d>



The details of the CSR activities undertaken by the Balrampur Chini Mills Limited, during the financial year 2018-19 are given below:

| <b><u>CSR ACTIVITIES</u></b>  | <b>EXPENDITURE UPTO REPORTING PERIOD Rs.(Lacs)</b> |
|---|--|
| 1- Eradicating hunger, poverty and malnutrition, promoting health care including preventive healthcare and sanitation and making available safe drinking water. | 490.03   |
| 2- Promoting Healthcare   | 75.43  |
| 3- Promoting Education  | 139.01   |
| 4- Special education and employment enhancing vocational skills, children, women <b>Elderly and the differently able and livelihood enhancement projects.</b>   | 68.09  |
| 5- Setting up homes and hostels for women and orphans.  | 17.42  |
| 6- Trainings to promote rural sports, national sports, Paralympics and Olympic sports.  | 29.15  |
| 7- Animal welfare   | 22.41  |
| 8- Rural development projects   | 3.17   |
| 9- Ensuring environment sustainability, ecological balance and conservation of natural resources and maintaining quality of soil.                               | 233.52   |
| 10- Disaster management   | 12.80  |
| 11- Expenditure on administrative overheads   | 1.85   |

Other details of Balrampur Chini Mills Limited-

\* The company through Balrampur foundation implemented a project (NAYI UMMED) in Uttar Pradesh. The project is focused on the holistic development of the community. Through the project foundation approaches the development works with the aim of making the farmer self sufficient and gives them technical training to enhance their yield productivity. The project also took step towards better management of natural resources and conserving the soil, water and natural habitat.

\* During the year, the company had setup its skilling centre (NIPUN) in Noida (U.P.). In this centre they skilled 1000 women over a period of 24months from various rural and urban areas.

\* The company in association with Agastya International Foundation, donated four mobile science vans in the areas of Balrampur, Barabanki, Lakhimpur-Kheri and Gonda, Uttar Pradesh.

\* During the year, the company donated a new school van (TATA WINGER) to EK TARA, West Bengal a registered trust, which is engaged in various programs of education, health and nutrition and community outreach.<sup>8</sup>

The above details shows various initiatives taken by three sugar industries in which one industry is not coming under the set criteria of Company's Act, 2013 and follows ethical domain. The other two industries are coming under the criteria, which are set by Company's Act, 2013 and follows legal domains of responsibilities which is checked by Carroll's framework of CSR. The data itself explains the socio-economic contribution done by these sugar industries.

Carroll said, Companies can choose any domain (Economic, Legal, Ethical or Philanthropic). If their contribution towards society is sustainable and they are following all norms set by government called socially responsible companies.

## **CONCLUSION**

Under this study, an understanding of the concept of CSR was reviewed. As such, the findings revealed significant facts related to the CSR activities of these sugar industries. Furthermore, the study pointed out that there is no difference in the CSR expenditure though they are not coming under set criteria by Government; still they are contributing towards wellbeing of society. It appears from the above discussion that these industries are seriously and enthusiastically considering CSR activities not just as a philanthropic gesture but also as a continuing commitment towards the wider stakeholder groups and society as well as environment development.

Now a day, CSR is used as a framework for evaluating an organization's performance against economic, social and environmental parameters. The rational of CSR has been articulated in a number of ways. In essence it all talks about building sustainable businesses or sustainable development which requires healthy economics, markets and communities. Therefore the key drivers for CSR that needs to be paid attention are-enlightened self interest, social investment, transparency and trust, increase public expectation of business.

---

<sup>8</sup> <http://chini.com/files/downloads/BCML%20AR%202019-20.pdf>



## REFERENCES

- Ahmad, S. and Nomani, A (2016). Problems of Corporate Social Responsibility in Sugarcane Value Chain in Uttar Pradesh: An Analysis through Integrated Model of CSR. *Management Studies and Economic Systems (MSES)*, 1 (4): 207-212.
- Action Financial services Ltd (India). (2013). Research Report: Indian Sugar Industry, Public Limited company, Mumbai Maharashtra.
- Baxi, C. V. (2006). *The Role of Independent Directors in Corporate Governance*, Sage Journals.
- Carroll. (1991). the pyramid of CSR: Toward the moral management of organizational stakeholders .*business Horizons* 34(4): 39-48
- Carroll, A. B. (2016). Carroll's pyramid of CSR: taking another look, Review Article. *International Journal of Corporate Social Responsibility*, 2016. 1:3
- Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & society*, 38 (3), 268-295.
- Carroll, A. B. (2008). A history of corporate social responsibility: Concepts and practices. *The Oxford handbook of corporate social responsibility*, 19-46.
- Foster, M and Meinhard, A. (2002) *Corporate Social Responsibility in the Canadian Context: The New Role of Corporations in Community Involvement and Social Issues*. Centre for Voluntary Sector Studies, Ryerson University, Vol. 2002 (1)
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*.
- Gani, O. (2012). Challenges in sustainability and corporate social Responsibility: The sugar industry in Bangladesh. Research Report, Prakruthi
- Harshavardhini, P and Kannappan, M. (2018). Introspection of Corporate Social Responsibility in India. *International Journal of Pure and Applied Mathematics*, Vol. 119(17): 23-31
- Hemphill, T.A. (2004). Corporate Citizenship: The Case for a New Corporate Governance Model, *Business and Society Review* 109 (3)
- <https://www.eidparry.com/wp-content/uploads/2019/07/EID-AR-2019-WEB-VERSION.pdf>
- <http://chini.com/files/downloads/BCML%20AR%202019-20.pdf>
- <https://www.dhampur.com/Main/PdfViewer.aspx?16YDXiX7AdAg3nSiElndEjDjCPS6i26GKykoB%2f32PncLYdriW0zCTVb5B%2bYIXXydnrPMcVw3Kd3E9O3%2f%2fohktMkliO%2bJT6cqnecoGrCy1U%3d>
- Kiran, R., and Sharma, A. (2015). Corporate social Responsibility: A corporate strategy for new Business Opportunities. *Journal of International Business Ethics*, Vol.4No.1 2011
- Kumar, N. (2014). Corporate social Responsibility: An Analysis of impact and challenges in India. *Journal of research in Management and Technology*, Vol.3 (Iss.5)

- Murthy, V. and Abeysekera., I. (2008). Corporate social Reporting practices of top Indian software firm, Australasian accounting Business and finance journal, 2(1)
- Medarvic, S.(2012). Environmental corporate social Responsibility and the carbon economy: A case for CSR, the triple Bottom Line and obliquity. Corporate governance journal
- Premlata. and Agarwal, A. (2013). Corporate Social Responsibility: An Indian Perspective. Journal of Business Law and Ethics, Vol. 1 (1)
- Shyam, R. (2016). An Analysis of corporate social Responsibility in India. International Journal of Research, Vol.4 (155.5)
- Singh, S.P. (2016). Technical Change and Productivity Growth in the Indian Sugar Industry. Procedia Economics and Finance, 39: 131 – 139
- Sarkar, J and Sarkar, S. (2015). Corporate Social Responsibility in India: An Effort to Bridge the Welfare Gap. Indira Gandhi Institute of Development Research, Mumbai, 23
- Singh, R. S., Pal, D. and Tripathi, N. (2014). Environmental Sustainability through Corporate Social Responsibility (CSR) in India. 2<sup>nd</sup> International Seminar & Exhibition, DTEX 2014
- Sharma, Y. (2013). Role of corporate social responsibility in organization. Journal of Business and management, vol 13(155.4), PP01-8
- Satyanarayana, P. (2013). Corporate social responsibility: a study of selected organization (thesis). Department of commerce & management studies, Andhra University
- Sharma, A. (2013). A strategic framework for corporate social responsibility practices: A study of north- west region of india (thesis).School of behavioral sciences and business studies, Thapar University
- Venkatesh. D., and Venkateswar lu.M. An overview of the Indian sugar Industry. International journal of social science research.
- Vasishth, N. and Rajput., N. (2015). Governance, ethics & social responsibility of business. Taxmann publications (P.) Ltd.
- Vinod, S. and Sivakumar, N. (2018). Corporate Environmental Responsibility of Indian companies comprising the nifty index: analysis and categorization. Research Gate