A Study of role of HR in Corporate Social Responsibility in India

Ghanshyam Mhatre[1], Dr. Vijay Dhole[2]

[1]Research Scholar, Savitribai Phule Pune University Pune (M.S) India.
[2]Dean Sinhgad Institute of Business Administration & Research Pune (M.S) India.

Abstract

With the change in The Companies Act, 2013 vide section 135, a paradigm shift has been brought by the Government in the area of Corporate Social Responsibility (CSR). Companies meeting certain criteria are now compulsorily required to allocate and spend 2% of the Net Profits on CSR. This study tries to explore the CSR domain and its relationship with the HR department. What is the role of HR department in making CSR a real success is the research question studied in this research. Isn't some kind of fundamental attitudinal change on the part of the employees a must for ensuring genuine CSR is an area that has been probed. 900 employees from 30 medium and big sized companies were interviewed on the various aspects of CSR including HRs role in CSR.

Keywords- Corporate Social Responsibility, employees, Section 135 of Companies Act

INTRODUCTION



Isn't that a reality? Actually each of us receive so much from the society – be it physical or the intellectual resources (knowledge). Let us take the case of knowledge. In our life we acquire huge amount of knowledge and benefit from it. Where does the knowledge come from? From the society, of course! Since our childhood we have been learning so many things. Right from the laws of Newton, the Archimedes principle, the Pythagorus theorem, the Dalton Theory and so much of it. Ever wondered what would have happened to us if this knowledge was not contributed by the great scholars? All of us have a moral responsibility to discover new knowledge and give something in return to the society. If we are not able to discover something new, at least we should actively participate in sharing and spreading knowledge. It is a matter of our self-respect. All the life we cannot be simply receiving alone. We have an equal responsibility of giving as well. All our life we cannot remain beggars! It is high time that each one of us instill some kind of sense of responsibility towards the society in terms of returning back at least a tiny part of what we have always been receiving.

The word "Corporate" in the phrase CSR is a tricky word. Because actually there is nothing in reality which is Corporate. It is nothing more than an artificial person. So question is who is Corporate? Is it the few Board of Directors? Or is it the thousands of employees? Unless each of the person says that - "Yes, I am Corporate and CSR is my responsibility," nothing much can happen with CSR. Social Responsibility is a matter of culture and calls for a fundamental change on the part of thinking of the various stakeholders. HR Department can play a significant role in bringing about this basic attitudinal change. It can be a catalyst to bring about this cultural change.

RESEARCH OBJECTIVES

- To study the role of HR in CSR.
- To make comparative study of Human Resource Management driven CSR organisation.
- To suggest HRM module for effective CSR implementation.

SURVEY OF LITERATURE

1. PWC (2013) in its report "Handbook on Corporate Social Responsibility in India" has enumerated the following points –

a. Benefits of a comprehensive CSR program include –

i) Communities provide the license to operate
ii) Attracting and retaining employees
iii) Communities as suppliers
iv) Enhancing corporate reputation

DOI : 10.21904/weken/2017/v2/i2/120592

b. CSR in India seems to focus on what is to be done with profits after they are made. In other words, if an organization doesn't make profit, there is no question of CSR! On the other hand, corporate sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made.
c. The report has pointed out that post section 135 in the Companies Act, 2013, many SMEs are going to be brought under the fold of CSR. This is going to create a fresh set of challenges. The SMEs will have to quickly learn as to how they would develop a compliant framework.
d. One viable alternative is to pool resources with other SMEs in the cluster and create joint CSR program to be managed by a single entity. This collaboration can be formed within the units in a cluster as they interact with the same communities and have already established associations that cater to the business needs of the units. This idea can be visualized as under –



e. The report further outlines the Tools, technical guidance and standards to be used:

- The 10 principles of the UN global compact
- UN guiding principles on business and human rights
- ILO tri-partite declaration of principles on multinational enterprises and social policy
- OECD CSR policy tool
- Global compact self-assessment
- Clause 135, Companies Act, 2013

2. ShirishRaibagkar, (2014), writing for the MERC Global, has wondered about what is being targeted through the new initiative of Section 135? Will it be simply another dimension to the already broad and hence quite vague concept of CSR, questions the author. Will it divulge attention of the more critical and bigger issue of business ethics and legal compliance? The author has made a case for a strategy of consolidation and integration by possibly making the concept of CSR trimmer, sharper and clearer in terms of adhering to basics like business ethics first rather than diluting the focus on core and significant issues of the concept.
3. India CSR Network (2017), argues that Corporate Social Responsibility (CSR) must be guided by fundamental Duties and all social development programs and projects must be interlinked to them.
4. In its another report, India CSR Network (2017) have quoted a report of NAASCOM Foundation saying that Industry had widely accepted the 2% CSR rule with a trend of more companies coming out openly to declare more than 100% utilization of their CSR money for 2016-17.
The report has highlighted following –

- More number of companies are spending 100% and above of the CSR funds, among both MNCs and Non-MNCs: 61. 6% of the surveyed companies reported spends of 100% or above their prescribed CSR budget. This includes 63.3% of the MNCs and 68% of the Non-MNCs.
- Smaller sized companies (turnover below Rs 100 Crore) are proactively pushing CSR initiatives with full utilization of prescribed budget: While 57.57% of large companies, 53.3% of medium companies are spending 100% of CSR funds, an impressive 72.7% of small companies spending 100% of CSR funds.
- Under-spending is a rare condition: Only 5% of companies surveyed reported a spend of less than 50% of their CSR budget.
- Education remains the top focus area of companies' CSR activities especially in MNCs: 76% of MNCs reported highest CSR spend on Education. Other MNC focus areas:
- 12% on Hunger & poverty
- 18% on Gender equality.
- MNCs are increasing liaison with government to tackle developmental issues: While overall, 43.3% of participating companies confirmed working with the Central/State government in their socio - economic projects for 2016-17

DOI : 10.21904/weken/2017/v2/i2/120592

5. Rusen Kumar (2017) interviewed MiniyaChatterji, Founder Sustain Labs and has stated that there is a utter confusion in the industry as well amongst the general public regarding what sustainability means. For most people it means CSR and protecting the environment, and for many more sustainability is reduced to some sort of a fancy first world issue only.

6. In another article, Rusen Kumar (2017) urged that CSR should serve 'poorest of the poor' of 'remotest of the remote.' He writes that poverty is the biggest disease which slowly leads to death with evidence that is hardly noticed. A major part of CSR amount should be invested in projects that have capability to reduce the level of poverty. Corporate sector should urgently identify those projects and programs that have potential to tackle poverty directly. CSR should be an effective tool to address the problem faced by the *poorest of the poor living in the remotest of the remote*.

Sample size and technique –

30 companies were selected as under –

Sr. No	Name of Company	Sr. No	Name of Company
1	Bajaj Auto ltd	15	LUPIN LTD
2	BPCL	16	M&M FARM DIV
3	CEAT	17	M&M AUTOMOTIVE
4	AJANTA PHARMA	18	MAHENDRA STEEL
5	CESC	19	RASTRIYA ISPAT NIGAM
6	ENGINEERS INDIA LTD	20	RPG LIFESICENCE LTD
7	EXIDE IND	21	RPG RAYCHEM LTD
8	GREAVES COTTON	22	SIMENS
9	GSFC	23	SI GROUP INDIA LTD
10	HPCL	24	TATA CHEMICALS
11	HUL	25	TATA POWER CO LTD
12	ITC	26	TATA STEEL
13	KEC LTD	27	TM LOGISTICS LTD
14	L&T CONSTRUCTION EQUIP	28	RCF LTD
15	ACC	29	COAL INDIA

Around 6 out of the 30 companies are those with a turnover of less than Rs.1000 crores while the rest are with turnover of more than Rs.1000 crores.

Sample Selection:

900 respondents from these companies shall be collected on randomly basis from the list of employees register roll & other stake holders for the collection of primary data. While collecting the data through questionnaire, stratified random sampling technique shall be adopted. The respondents are classified into broadly four types i.e. worker, staff, middle level executives and HR employees.

Sample Size :

Sample size was determined assuming 1000 employees per company, at a rate of 30%. Thus, the sample size was selected as 900.

Geographical area of the study:

Every study is delimited in terms of geographical coverage. The studies will be conducted in a given Pune district.

Summarized data analysis –

Ho1 – There is no significant relationship between the HRM role with effectiveness of CSR of the Company

Ha1 – There is significant relationship between the HRMs role with effectiveness of CSR of the Company

1st Null hypothesis - Statistical testing of significance – (@ 95% level of confidence)

Criteria	Score	% Score
2.1	3373	75%
2.2	3388	75%
2.3	3341	74%
2.4	3327	74%
2.5	3398	76%
2.6	3425	76%
2.7	3370	75%
2.8	3363	75%
2.9	3383	75%
2.1o	3324	74%
2.11	3290	73%
2.12	3408	76%
2.13	3338	74%
2.14	3307	73%
2.15	3362	75%
2.16	3373	75%
2.17	3341	74%
2.18	3341	74%
2.19	3423	76%
2.2o	3370	75%
2.21	3378	75%
	Average	75%
	H1=	75%
	SD	0.007951
	Ho=	50%
	H1=	75%
	n	900
	t-dist	9.97
	p-value	0.000000
Is p-value < 0.05		Yes
Acc/Rej Ho		Rej Ho

DOI : 10.21904/weken/2017/v2/i2/120592

The average affirmative response rate for the section "Role of HR in CSR" is 75%, which when statistically tested is significant and hence it can be said that the contention that HR has no significant role in CSR is rejected. Alternatively, it can be said that HR has a significant role in CSR.

Ho2 - There is no significant relationship between the effectiveness of HRM in implementation of CSR with employees engagement score, and employees retention, brand image of the Company

Ha2 – There is significant relationship between the effectiveness of HRM in implementation of CSR with employees engagement score, and employees retention, brand image of the Company

The scores of Impact of CSR section were averaged and compared and correlated with the employee satisfaction score.

The correlation between employee satisfaction score and the average impact of CSR works out to 0.621516. This indicates that the organizations with good employee satisfaction scores have similar line of CSR impact as well.

Further we compare and correlate the HRM practices positive affirmations with that of the CSR impact. The correlation between these two scores is 0.62 which is an indication that positive HRM practices are CSR impact scores are correlated.

FINDINGS

1. Purpose of CSR –

Aim	Affirmative	Negative	Affirmative %	Negative %
1.1	756	332	69%	31%
1.2	817	290	74%	26%
1.3	805	293	73%	27%
1.4	770	328	70%	30%
1.5	771	328	70%	30%
1.6	775	327	70%	30%
1.7	743	349	68%	32%
1.8	760	330	70%	30%
1.9	774	336	70%	30%
1.1o	769	334	70%	30%
Average	774	325	70%	30%

On an average the 10 purposes of CSR have secured a 70% positive affirmation.

3. Rating of role of HR in CSR - The 21 parameters stated for the role of HR in CSR fetched on an average a score of 3363 (from the 900 respondents), which in percentage terms works out to 75%.

2. Impact of CSR – The 25 parameters stated for the impact of CSR fetched on an average a score of 3365 (from the 900 respondents), which in percentage term works out to 75%.

3. Evaluation of CSR - Around 20% of the respondents indicated the usage of the 6 criteria. Another 20% also said that they do not really evaluate their CSR.

4. HRM practices in place - The 14 HRM practices stated for the impact of CSR fetched on an average a83% affirmative response.

5. Problems with CSR - Non availability of competent trained CSR professionals was stated as the most teething problem by as many as 60% of the respondents.

6. We find that all the 10 aims of CSR were more or less highlighted as positive with around 70% affirmative responses. This was despite the fact that one of the purposes stated was "Compulsory CSR due to Section 135 of Companies Act, 2013."

7. The highest impact of 2.28 is seen where the CSR Channel is NGO. However, the impact differences are not very significant when related to the channels.

8. Medium sized companies have a better CSR impact than large sized companies.

9. CSR impact is more in case of lower net profit companies and is lower in case of higher net profit companies.

10. Lesser the CSR Budget higher is the impact that has been reported.

11. The CSR impact score is the highest for the Just Satisfactory category of employee satisfaction rank.

Suggestions –

Following module or model is suggested for effective implementation of CSR –

Corporate

- Inner engineering for employees to sensitize need for CSR
- Recognition of individual contribution to CSR.

Government

- Recognition of Corporate contribution to CSR
- Giving CSR a well articulated framework

Society

- Offering effective implementation mechanism
- Recognition of Corporate contribution to CSR

Inner engineering for employees to sensitize need for CSR – All said and done CSRs effectiveness depends on the individual employee's perception, attitude, beliefs and actions. Actually there is nothing like a "Corporate." After all it is only an artificial person. An individual's motivation, his feelings, his commitment

DOI : 10.21904/weken/2017/v2/i2/120592

and such personal factors do have a significant bearing on CSR.An ignited & passionate individual can cause wonders in the field of CSR.

CONCLUSION

Purposes of CSR are multi-fold. Contrary to expectations that it is only a statutory compliance, respondents have rated all the 10 purposes with approximate 70% affirmative responses. This is good and this can be bad as well. That CSR is not done just as a mere formality is the good part. However, too many objectives being followed can lead to diluted focus. Role of HR in CSR has been rated highly positively by the respondents which leads us conclude that HR definitely can contribute significantly in CSR implementation. Whether it is strategic role like creation of the CSR strategy or an operational role like communication of CSR activities, HR has an important role to play in CSR. That CSR has an all round impact has been overwhelmingly accepted by the respondents. Around 25 different CSR impact areas were listed in the questionnaire and all of them have got a reasonable high percentage of affirmative responses. This leads us to conclude that actually CSR is a much broader area than generally what people perceive it to be. It does not only impact the society, it also impacts the organization that is involved in CSR activities. Evaluation of CSR is a problematic area. 6 parameters stated fetched only approximate 20% positive responses about their usage for CSR evaluation. This area has been discussed in some details in the suggestions part. Most of the employees have reported high level of satisfaction with the 14 HRM practices that were stated in the questionnaire. Interestingly the 14 practices were a mix of quantitative as well as qualitative parameters. But even the qualitative parameters like treatment with genuine respect were reported to be reasonably high. CSR is not free of problems. Almost all the problems stated in the questionnaire, fetched around 60% of positive affirmations. Non-availability of trained CSR professional has been reported as one of the key problems. Finer data analysis leads us to conclude that actually CSR implementation is not that way related to the size, profit or the CSR implementing agency. It efficacy on the other hand thus seem to depend largely on the thought process of the management of the specific organization.

REFERENCES

[1] PWC – 2013, "Handbook on Corporate Social Responsibility in India" https://www.pwc.in/assets /pdfs/publications/2013/handbook-on-corporate-social-responsibility-in-india.pdf

[2] Raibagkar, Shirish (2014), "Corporate Social Responsibility – First Things First", MERC Global's *International Journal of Social Science & Management,* Vol. 1, Issue 1, pp. 37-44.

[3] Rusen Kumar, 2017, Sustainability incubator is the need of the hour: Miniya Chatterji, http://indiacsr.in /sustainability-incubator-need-hour-miniya-chatterji/

[4] India CSR Network, 2017– "Fundamental Duties and Corporate Responsibility" - http://indiacsr.in/fundamental-duties-corporate-responsibility/

[5] India CSR Network, 2017–NASSCOM Foundation reports a rise in the India CSR spending-http://indiacsr.in/fundamental-duties-corporate-responsibility/

ABOUT AUTHOR



Mr. Ghanshyam Mhatre, M.P.M., LL.B., D.P.M. & IR, PGAHC & OD., B.Sc. Currently he is associated with M/s Larson & Turbo Construction Division (B&F IC.) as a Head- Industrial Relations & Admin with He is a research Scholar of SPPU. He has a vast diversified experience over 30 years in field of HR,IR,PR, Training, Legal &CSR .Accredited Executive Coach & Master NLP Trainer, Associated with various Corporate Houses including RPG, Bajaj, Deepak Fertilizers, KEC, CEAT etc, felicitated by One Individual & 13 collective corporate awards & appreciation for outstanding efforts to the HRM &Business Excellence.
E-mail:shyamg600@gmail.com



Dr Vijay Dhole (PH.D MPM,MBA, DLL,PGDTT. DHMCT) Currently Associated as DEAN in Sinhgad Institute of Business Administration and Research Pune from Last 11 years and Research guide for SPPU Pune. He has altogether 24 years' experience in India and Abroad (USA). He has also attended short term program in IIM Kozhikode and IIT Kharagpur and published books on Human Resource Management, Industrial Relations.

DOI : 10.21904/weken/2017/v2/i2/120592