CSR IN INDIA: PRACTICE, SUSTAINABILITY REPORTING AND IMPACT ASSESSMENT

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Abstract: The paper aims to explore the various definitions and theoretical concepts of Corporate Social Responsibility (CSR); study the deployment of current CSR practices & sustainability reporting trends in India and impact assessment of CSR activities. The study is done through review of evidence regarding CSR practice, sustainability reporting patterns and impact assessment. Some of the key findings are (i) CSR practice in India is sporadic and non-integrated to business though over the years there is rise in CSR practice in India (ii) sustainability reporting among firms is low but increasing and differs on the basis of industry, size and variables that are reported (iii) Due to nebulous nature of CSR practice, there is lack of consensus in understanding true nature of impact of overall CSR practice.

Keywords: Sustainability Reporting, Corporate Social Responsibility, Business Responsibility, CSR Impact Assessment.

Introduction: Historically also firms in different parts of the world were involved in philanthropic activities but formal definitions such as Corporate Social Responsibility (CSR) have gained momentum only in the recent past. In Indian corporate history, major firms were involved in philanthropic activities and built a connection with local communities and contributed toward greener environment. The critics of CSR have always questioned the role of CSR in business but rising concerns about social and environmental impact of business have transformed business realities and legal environment. Evolving nature of this subject has filled the space with newer terms and definitions. However all this is built upon a broad idea of corporate responsibility toward society, environment and profits. Today, CSR is being discussed due to unprecedented growth in the number of business operations and the focus of international institutions upon the impact of business on society and environment. Climate change and inclusive growth is being talked more often today than before.

Apart from "philanthropy" as a general understanding and approach toward CSR, certain critical areas of inquiry in CSR have gained insight from academia and practitioners. First, has CSR anything to do with business objectives and if yes, what? Second, what are the fundamental motivations for CSR among firms and why should firms spend more and disclose more than what the regulation normally demands? Third, how can sustainability be ensured? Fourth, how do firms assess the impact of their CSR interventions? These are few fundamental questions in CSR today.

First, there may appear little or absolutely no congruency between CSR and firm's financial objectives at least in the short to medium term, but ethically business should not happen at the cost of damage to society and environment where it operates. A firm has to bear the costs associated with CSR and a lot of previous literature on responsible business practices supports the affirmative relationship between firm's CSR spending and performance abilities of a firm. Though CSR may not independently influence profits but it contributes to mitigate the costs of risks associated with the business.

Second, the stages of CSR in a business enterprise could be from compliance to transformational. The choice of level of CSR in a firm varies depending on firm size, age, industry, country and value framework. Some firms go far beyond compliance. Apart from reasons for global acceptability of firm's products or services, the most interesting is where firms' strategically discuss the scale of their CSR activities in public communications to boost brand reputation without having to justify the funding and impact of such activities. Big firms in the west are publishing CSR & sustainability reports that run into as long as three-hundred pages. Market observers believe that this is an effort by firms to impress investors due to lack of measurement standards and consensus on the same.

Third, sustainability in CSR efforts is dependent upon its integration with key business decisions. CSR efforts should be a matter of decisions at process level than sporadic non-incremental independent initiatives. There needs to be clarity in value generating capabilities of CSR processes.

Fourth, firms' CSR impact assessment is rather complex to measure due to challenges in monetizing non-financial value into equivalent monetary value though numerous indices and impact studies have evolved to assess CSR impact at the most basic level.

In this paper, we attempt to answer the fundamental questions in CSR in context of India. The key objectives of the paper are to study:

(i) CSR Practices in India

(ii) Sustainability Reporting in India

(iii) Impact Assessment of CSR activities

The paper has been divided into eight sections as: {I} Abstract {II} Introduction {III} Conceptual Framework {IV} Evidence Review {V} Discussion {VI} Limitations {VII} Future Research Directions {VIII} References

Conceptual Framework and Methodology of Study: Confusion in understanding inputs and outcomes of CSR activities has hampered scientific progress of this field [McWilliams, Siegel & Wright (2006)]. While scholars such as Friedman (1970); Jensen (2002); Levitt (1958) considers shareholder wealth maximization as the only social responsibility of business. Freeman (1984) and Jones (1995) consider tremendous economic value in balancing interests of stakeholder of business. According to Carroll, "CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time." But Keith Davies (1973) argued that CSR refers to 'the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm'. The means of production in an economy should be employed in such a way that production and distribution should enhance total socio-economic welfare' (Fredrick, 1960). Gray, Owen, & Maunders (1987) defined CSR as "the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large". European Commission described CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". While much academic literature has been written on the conceptualization of CSR, the subject remains nebulous.

Perks (1993) defined corporate social reporting as "the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders".

Often the terms corporate social responsibility, corporate social performance, corporate responsibility, corporate sustainability etc are used in place of each other. While the underlying fundamental of corporate responsibility and continuity remains intact, some terms have evolved to include wider understanding and appear to be identical. We distinguish CSR and sustainability in the following way; While CSR refers to the responsibility of business towards stakeholders including society and environment, sustainability is concerned with preserving resources for long term continuity of those resources for human needs. Businesses need to report on what they are doing to sustain resources for long term use and hence the need for sustainability reporting.

Key Components of CSR: Triple bottom Line, also known as 3P, was a term coined by John Elkington in 1994 and stands for people, planet and profits. It basically refers to the responsibility of business toward social, environmental (or ecological) and financial aspects of business and implies that a successful business does not have just one bottom line of having profits but also achieving goals related to people and planet. Table I shows the goals that a firm must endeavor to balance while arriving at its profits.

Measurement of CSR: The operational view of CSR is reflected in a firm's social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions (Wood, 1991). Firms can assess social performance through social audit and social reporting. Firms should produce sustainability reports to publish about the economic, environmental and social impacts caused by their everyday activities.

Global institutions such as Global Reporting Initiative (GRI), United Nations Global Compact (UNGC), International Integrated Reporting Council (IIRC), ISO (26000), National Voluntary Guideline on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) framework, Dow Jones (Sustainability Index) offer guidelines and indices for corporate reporting, frameworks, standards and related requirements.

Table I

Category	***Economic***	***Environmental***
	Economic Performance Market Presence Indirect Economic Impacts Procurement Practices	Materials Energy Water Biodiversity Emissions Effluents and Waste Products and Services Compliance Transport Overall Supplier Environmental Assessment Environmental Grievance Mechanisms

Category	***Social***			
Sub-Categories	***Labour Practices***	***Human Rights***	***Society***	***Product Responsibility***
	Employment Labor/Management Relations Occupational Health and Safety Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labor Practices Labor Practices Grievance Mechanisms	Investment Non-discrimination Freedom of Association and Collective Bargaining Child Labor Forced or Compulsory Labor Security Practices Indigenous Rights Assessment Supplier Human Rights Assessment Human Rights Grievance Mechanisms	Local Communities Anti-corruption Public Policy Anti-competitive Behavior Compliance Supplier Assessment for Impacts on Society Grievance Mechanisms for Impacts on Society	Customer Health and Safety Product and Service Labeling Marketing Communications Customer Privacy Compliance

Adapted from GRI Categories & Aspects in the Guidelines(4): Sustainable development includes three areas: economic growth, ecological balance and social progress. GRI defines sustainability reporting as the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. It is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts. A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions (GRI, 2006b, p. 3).

The paper utilizes both theoretical and empirical studies on CSR practices, reporting and impact of CSR activities through evidence review methodology.

Evidence Review:

CSR in India: Innovation, economic considerations, pressures from social institutions, employee motivation and cost savings are some of key business drivers for companies to adopt sustainability but generally regulations coerce businesses to adopt sustainability practices. A consensus seems to be emerging that CSR can be strategic, altruistic, or coerced (Husted & Salazar, 2006). This is evident from the highest number of disclosures in industries like Oil and Gas, Metals and Mining, and Construction-related industries that have high environmental impact. Gautam & Singh (2010) in their study on 500 firms made the following observations about CSR in India; "The approach of firms is driven by philanthropy than overall business integration. Well defined expenditure on CSR has been shown by very few companies. CSR is being used as a marketing tool by most companies. Few disclosures are made on the business processes and damages caused by them". Only 1 in 5 (19%) reports discuss key challenges and dilemmas in detail while 1 in 4 (26%) reports have no disclosure. This suggests that most of the CR reports highlight more positive achievements and miss out reporting on the key challenges and dilemmas [KPMG Report (2013) (3)].This may be due to lack of clear vision about how to integrate CSR with overall corporate philosophy or to avoid costs related to them. Very few companies have a clearly defined CSR philosophy. Most companies spread their CSR funds thinly across many activities [Gautam & Singh (2010)]. Jose & Saraf (2013) in their study on India's top 100 companies observed that most initiatives in the area of CSR focused on education, healthcare, community livelihood, and infrastructure development. Operations-related measures included resource conservation (energy, water, paper) and waste management (emissions, solid waste, water). Less than 20% of the companies that were surveyed disclosed information on sustainability issues related to the supply chain. Prabhakar & Mishra (2013) however noticed a paradigm shift in Indian industry from corporate being philanthropist to being socially responsible.

CSR has become an integral part of the corporate strategy [Maan (2014)].

Sustainability Reporting in India: The number of Indian companies publishing sustainability reports is very low [Cyriac (2013)]. The number of companies reporting on sustainability has been increasing but is still relatively small as compared to the total number of companies that are publicly traded in India [1].

In a joint research by the Deutsche GIZ India and the Global Reporting Initiative [2], Indian companies have been reporting on several aspects of environment and social performances following the GRI Guidelines, and also in line with Indian legislative requirements but the information on impact on biodiversity seems to be lacking generally. Particularly Indian Pharmaceutical Industry lags on sustainability reporting. Unlike other developed countries only a few power and financial services companies in India report on sustainability [Gautam & Singh (2010)]. However the same is not true for all the sectors. Kumar (2014) , in his comparative study on sample firms from petroleum sector, chosen from NSE Nifty and Fortune 50, found that sample firms from NSE Nifty were better on sustainability reporting & disclosure than Fortune 50 sample firms.

Sustainability reporting is not uniform across sectors and there is lot of variation in the items that are disclosed in sustainability reports. There is significant variance in reporting across sectors as well as on the variables reported [Jose & Saraf (2013)]. Goyal (2014) in his study on Textile, Cement, FMCG, Pharmaceutical and Petroleum firms in India, found variation in items' that are disclosed, while some items were disclosed by majority of sectors, items such as Environmental cost accounting had zero percent disclosure by any firm under study. Over 40 percent of the companies included in BSE 200 that belong to high environment impact sectors like Oil and Gas, Metals and Mining, and Construction-related industries report on sustainability performance with a separate report or response [2]. [Goyal (2014)] also found sectoral differences in the level of disclosure. KPMG Report (2013) in the results of its survey reported Information Technology (IT) sector among the leading sectors with all N100 IT companies producing separate CR reports, while the Financial Services sector lagging with no separate CR reports. Jose & Saraf (2013) also observed that the sectoral differences in reporting are striking. The cement, metals and mining, electric utilities, and information technology sectors outperformed the other sectors on most indicators. They also found pharmaceuticals and banking and finance sectors as laggards.

Most commonly used corporate responsibility reporting frameworks among Indian firms are GRI, CDP, UNGCCOP and NVG-SEE. Sector specific frameworks are also referred by Oil & Gas (IPIECA, API and OGP Oil and gas voluntary guidance on sustainability reporting), Metals and Mining (World Steel Association indicators, ICMM Sustainable Development Framework) and Building Materials (WBCSD, Cement Sustainability Initiative) sectors. GRI emerges as a widely accepted reporting framework among the companies. [KPMG Report (2013)]

Impact Assessment of CSR Initiatives: Impact assessment in CSR has varied criteria depending on stakeholder type and even varied measures to assess its true value. Impact of these programs is directly related to the expectations of different stakeholders. Environmental, social, and governance programs create shareholder value, most executives believe, but neither CFOs nor professional investors fully include that when evaluating business projects or companies. Two important questions that need answers before any impact assessment are (i) how CSR programs create value and, (ii) how much value they create. [5]. Due to inability to assess true value of these programs, due to intangible nature of its outcomes, it is difficult to create a standard measurement, even if CSR philosophy is embedded in core business objectives.

Most of the studies under review discussed the various initiatives taken by an individual firm. Some literature discusses Social Impact Assessment (SIA) and Social Return on Investment (SROI) as method to evaluate the plans and strategies in implementing CSR programs [6]. There is a rift between whether CSR programs should be measured in terms of ROI. Respondents to this survey are split over whether putting a financial value on social programs would reduce the reputational benefits to companies: slightly more believe stakeholders view financial value creation as important than believe it's a distraction [5]. In a survey by McKinsey & Company both CFOs and professional investors see the existence of high-performing environmental, social, and governance programs as a proxy for how effectively a business is managed; more than 80 percent of both groups say that is at least "somewhat" true.

Discussion: Indian business community is still perplexed by the need and approach to CSR. This may be attributed to the nebulous nature of this subject and lack of clear precedents and evidence on firm performance. But due to global institutions pushing the agenda of climate change and inclusive growth, and risk profiling of firms by investors and related regulations, CSR is gaining ground in business community.

In India while only few top firms are making disclosures of their activities, other low performing sectors such as pharmaceutical sector and MSME sector need to work on sustainability reporting. More emphasis is required in the area of process disclosures, impact on biodiversity, environmental accounting and impact assessment of CSR activities. Stricter regulations are needed on a systematic and incremental approach to CSR to prevent firms from using CSR as a marketing tool. It would be good if future work in this field is able to do away with numerous definition and descriptions of CSR and standard jargon is accomplished.

Limitations of Study: This study is based upon evidence review; hence the limitations applicable to the author's research project are applicable to the conclusions of this study as well. Also, the structure and results of various studies considered for review depend upon the intellectual and technical abilities of authors. Additionally, this work is limited to the number of studies available for review of evidence.

Future Research Directions: Measurement of CSR activities, especially where impact of non-monetary gains needs to be measured, needs attention and solutions. More research needs to done on how businesses around the world integrate and measure the real impact of their CSR activities on stakeholders.

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