



A STUDY ON IMPACT OF CSR ON MNC'S WITH REFERENCE TO TELANGANA STATE

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ABSTRACT

The concept of corporate social responsibility (CSR) developed in the Western world since the 1950s, is novel to developing countries. Various CSR principles, standards, frameworks and indices have grown significantly as researchers to expand the concept in business and academic worlds. The practice of the concept and its behavior is similar in both the developed and developing worlds. The CSR literature was about development studies, including definitions, theories, standards and frameworks, and relationship studies, including the relationships between CSR and company performance (CP), and CSR and share market performance. However, the relationship between CSR and CP is still not fully understood. In developing countries, this issue is under-researched, even though some research has been conducted on the development of the CSR concept. Therefore, this study's main purpose was to explore the impact of CSR in a developing Telangana and before the formation of Telangana. To investigate this relationship, a CSR framework was developed because there is currently no such framework in Telangana to identify CSR practices in companies; this was one sub-aim of this study. In developing a CSR framework, the researcher made use of the analytical factor, in the first-round interviewing and in the second surveying expert and knowledgeable people about CSR practices. The survey was developed to confirm and refine the important identification information from the interview data. These qualitative data were then analyzed using a content analysis research technique, which identified 28 activities for the potential CSR framework. As far as the researcher is aware, this was the first time CSR research had been used to collect data in Telangana.

The advent of globalization and international trade has given rise to some new controversies about the concept of corporate social responsibility

Multinational Corporations (MNCs) have become more socially responsible, taking concrete steps such as developing a code of conduct with regard to CSR. Moreover, due to increased and intense competition, MNCs have started to believe that expenses for social welfare imply that the prosperity and growth of the business is achieved through the combined and collective efforts of the stakeholders and therefore, content and satisfied stakeholders create overall value for the company in the long run. Therefore, most of the MNCs have begun to identify CSR as the pathway to

uplift the quality of lives of people amidst whom they operate and create a bright image of themselves amongst business stakeholders thereby.

KEY WORDS : COOPERATE SOCIAL RESPONSIBILITY (CSR),MULTI-NATIONAL COMPANIES(MNCS), CSR FRAME WORK,COMPANY PERFORMANCE, DIMENSIONS OF CSR



Importance of CSR

- The importance of CSR increases with globalization as both investors and customers have become very sensitive to societal and environmental issues.
- CSR helps business organisations to:
 - ✓ Impulse their relationship with local communities.
 - ✓ Increase the branding of the organisation.
 - ✓ Building a good corporate image for themselves.
- CSR minimizes the negative impact of business activities and create wealth and value for shareholders and community as a whole.



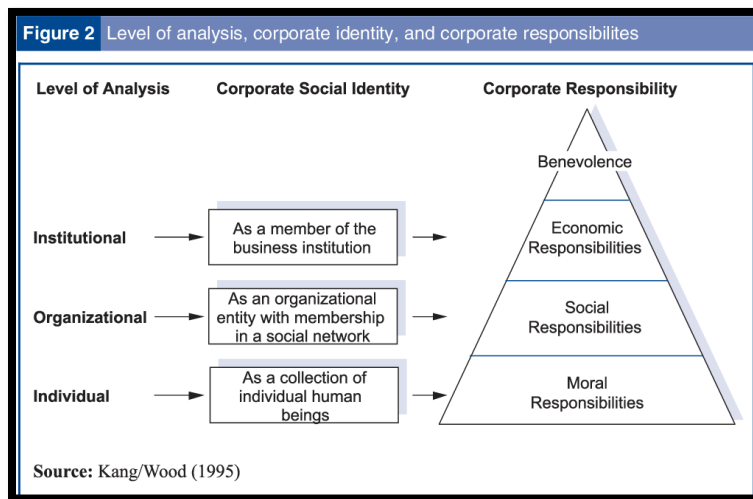
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Benefits of Corporate Social Responsibility

- ✓ Positive impact in the community.
- ✓ Better brand recognition.
- ✓ It supports public value outcomes.
- ✓ Better financial performance.
- ✓ It encourages both professional and personal development.
- ✓ Organizational growth.



FRAME WORK OF CORPORATE SOCIAL RESPONSIBILITY



OBJECTIVES OF THE STUDY

3.4 Objectives of The Study

1. To study the Corporate Social Responsibility (CSR) profile of the Multinational Companies' of Telangana.
2. To study factors affecting Corporate Social Responsibility (CSR) Undertakings among the Multinational Companies of Telangana.
3. To study the perceptions of employees about the performance of CSR processes undertaken at their companies in Telangana.
4. To examine employees' perceptions about their companies' level of adherence to Corporate Social Responsibility Regulations mentioned under Global Social Responsibility Guidelines given for Multinational Companies in Telangana after 2014 to before 2014
5. To study the opinion of employees about 'International Social Responsibility' with special reference to Multinational Companies in Telangana after 2014 to before 2014.
6. To examine relationship between organizations' 'Corporate Social Responsibility Profile' with location, size, age, mode of entry and nature of business of the Multinational Companies in Telangana after 2014 to before 2014.
7. To explore relationship between the perception of the employees about 'Corporate Social Responsibility Practice', 'Corporate Social Responsibility Process Performance', 'Adherence of their companies to CSR Regulations' and the employees' opinion on 'International Corporate Social Responsibility' with location, size, age, mode of entry and nature of business of the Multinational Companies of Telangana
8. To study the relationships among Aggregate CSR and CSR towards primary stakeholders in Telangana after 2014 to before 2014
9. To explore relationship between type of the organization with the employees' perception on 'Corporate Social Responsibility Practice', 'Corporate Social Responsibility Process Performance', 'Adherence to CSR Regulations' and the employees' opinion on 'International Corporate Social Responsibility'
10. To study the impact of size of the firm on CSR in Telangana after 2014 to before 2014.
11. To study the impact of shareholding pattern on Aggregate CSR in Telangana after 2014 to before 2014.
12. To identify the factors that motivates companies to engage in CSR in Telangana after 2014 to before 2014.

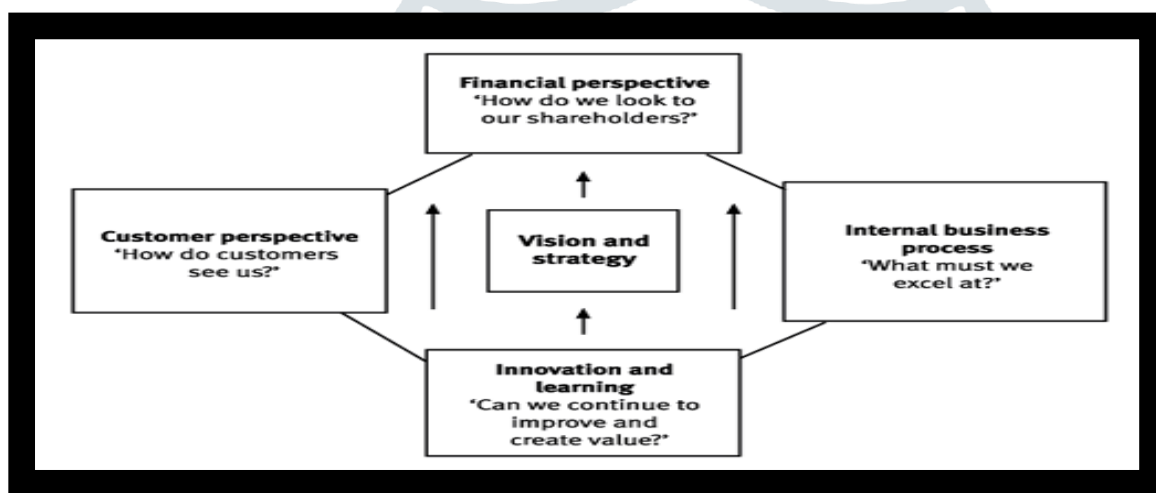
Models to evaluate both financial and non financial performane

Some models for evaluating both financial and non-financial performance are Kaplan and Norton's balanced scorecard, triple bottom line reporting, the performance pyramid, Fitzgerald and Moon's building block model and the performance prism.

"Balanced Scorecard" was chosen to reflect the need of organizations to manage business by practicing balanced assessment of performance measures.

To elaborate further each of the four perspectives can be associated with different performance measures.

Performance Measures in Balance Score Card



PERFORMANCE PARAMETER CONSIDERED FOR THE STUDY

Financial Parameters	Non-Financial Parameters
Return of capital employed	Internal reputation
Return on assets	Organizational Commitment
Net profit	Job Satisfaction
Return on equity	Employee benefits

CSR Practices of MNCs

Irrespective of country of origin, magnitude and sector, the significance of CSR for MNCs is redoubtable and then active participation can only further the CSR movement as they account for 70% to 80% employment worldwide through the range and expanse of their businesses. Amidst all the debate about the compulsion of business to look beyond economic activities, MNCs see CSR as an instrument to build a philanthropic image in the act of uplifting the quality of life of people amongst whom they carry out their business operations. Developed seven guidelines for multinationals operating in developing countries. They illustrate considerations that multinationals, which want to operate ethically and with integrity, should address. The seven guidelines are appropriate for use on multinationals from different nations, although he has created them based on American multinationals. Called for horizontal integration of the MNCs through value-added activities of the same kind in each country or vertical integration across markets geographically through network of facilities that service by output to inputs for other facilities owned by MNCs. Criticized current CSR research and the attention given to the behaviors' of MNCs in developing countries. He suggested that individual and organizational factors should also be taken into consideration.

The suggested that for the most part, the adoption of voluntary codes by Multinational Enterprises (MNEs) came "only after embarrassing public exposes of sweatshop conditions" and, further, that "the resulting voluntary codes have been weak and their enforcement even weaker" suggesting that there has been as little commitment as possible.

DIMENSIONS OF CSR

Dimensions	The definition is coded to the dimension if it refers to	Example phrases
The environmental dimension	The natural environment	'a cleaner environment' 'environmental stewardship' 'environmental concerns in business operations'
The social dimension	The relationship between business and society	'contribute to a better society' 'integrate social concerns into their business operations' 'consider the full scope of their impact on communities'
The economic dimension	Socio-economic or financial aspects, including describing CSR in terms of a business operation	'contribute to economic development' 'preserving the profitability' 'business operations'

REVIEW OF THE LITERATURE

1. Gupta and Sharma, (2009) stated that CSR is a good relationship between business and society where social welfare and corporate growth treated as a zero-sum game¹¹
2. (Caroll and Shabana, 2010) The late 1960s and 1970s, in the developing world witnessed increased efforts to regulate foreigninvestor activities
3. (Eccles, Ioannou & Serafeim, 2011) First, CSR helps boost the company's reputation and increases brand awareness.
4. (Sharma & Mehta, 2012) Lastly, companies with a high reputation and positive image retain employees and attract more talent to work in a socially responsible company.
5. (RepTrak", 2013) To become a successful company, building reputation and gaining trust from people are very important.
6. (Srivastava et al, 2012) There are five dimensions of corporate strategy that are critical to the success of CSR process in terms of value creation by the firm

7) Urip (2010) it is simplistic to establish the business case of CSR. The globalization brings the baggage of multiple challenges.

3.3 Hypothesis

H1: The favorable CSR towards stakeholders will positively impact the firm's financial and non-financial performance

H2: The favorable CSR towards employees will positively impact the firm's financial and non-financial performance

H3: The favorable CSR towards customers and suppliers will positively impact the firm's financial and non-financial performance

H4: The favorable CSR towards community will positively impact the firm's financial and non-financial performance

H5: The favorable CSR towards environment will positively impact the firm's financial and non-financial performance

Research Design

The study is descriptive and exploratory in nature as the researcher has made an attempt to study and narrate the characteristics of the organizations' Corporate Social Responsibility (CSR) Undertakings on the basis of their employees' perception. The researcher has also made an attempt to explore whether any relationship exists between the employees' perception and various variables taken to study the Corporate Social Responsibility (CSR) Undertakings of the organizations under this study. 3.6 Sample The researcher has chosen to conduct this study within MNC's, since in a developing economy like India, the MNC's are considered as very strong and critical actors of financial growth having its large impact on social and environmental milieu of the host country. Universe of the industries is all 25 MNCs presently operating in Telangana and their top and middle management employees. To draw sample, within the broader category of probability sampling, multi-stage sampling technique is used. Firstly, to select from, a list of Multinational companies of Telangana was prepared with the help of

Source of Data

1. Employees' responses for their respective companies.
2. Records, annual reports, information on Website. 90
3. Data Collection Every respondent answered questions related to their respective companies' policies and practices related to CSR.

In the questions related to the perceptions of CSR and the nonfinancial parameters affecting CSR, every respondent answered questions based on his/her knowledge, interpretations, opinions and judgment. The survey was administered to personnel responsible for the implementation of the CSR policies of their organizations. In some companies, there was a CSR manager or an executive who responded to the questionnaire and in companies where there was no specific CSR department and a HR executive in charge of CSR activities responded to the questionnaire. Data with respect to the non-financial parameters of firm performance was also obtained from the HR/CSR personnel who consulted the respective departments before filling in the responses. In some cases, the questionnaire was filled in by more than one person. A structured questionnaire along with a detailed note, (stating the purpose a of the research and seeking cooperation) was prepared.

FINDINGS

Indian companies have changed from traditional charity/philanthropy (donations to charities etc) to Corporate Sustainability or its equivalent.

- The study revealed that there is a significant positive correlation between CSR activities towards various stakeholders and the firm performance, except in case of Environment CSR. 156

- In the Indian context of inclusive growth, the FIRM as a unit of the economy has become more inclusive by adopting affirmative action i.e., providing employment opportunities for the disabled, helping in primary education and health care etc.

As per the analysis the variables of Aggregate CSR comprising of Employee CSR, Customer and Supplier CSR, Community CSR and Environment CSR are closely interlinked, The CSR towards each of the stakeholders was positive thus ensuring that the aggregate CSR was also favourable

The field of comparative CSR, ultimately, addresses a research question of critical practical importance: how best to structure global enterprise to import best practice in CSR in order to produce economic development that is consistent with raising labor standards and encouraging environmental protection. Researcher have produced empirical evidence that clearly states the challenge, by virtue of their findings that international diversification of firms increases both CSR as well as corporate irresponsibility, given the difficulties of managing semi-autonomous subsidiaries in different countries.

CONCLUSION

On the issue of transfer pricing, no separate study was conducted by the researcher to look into a system whether companies in the two countries had used transfer pricing mechanism to conceal their actual profits; however the available studies on this issue indicated that transfer pricing mechanism was being used by most of the foreign companies in India and Telangana. Pricing strategy of MNCs indicated that taking the advantage of monopoly status, some of the selected foreign companies in Telangana had affixed greater profit margin, which ultimately increased the price level of products manufactured by the companies. Thus, considering all the information relating to finance, production and marketing strategies, it can be said that selected Indian foreign companies had better operational strategy than that of similar companies in Telangana, which helped to achieve higher growth and profitability of Indian companies

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