

INDIAN BUSINESS MODEL: GOODWILL GENERATION THROUGH CSR

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Abstract

Prior to Companies Act 2013, CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was believed that every company has a moral responsibility to play an active role in discharging the social obligations, subject to the financial health of the company. In the early 90's Mahatma Gandhi introduced the concept of trusteeship helping socio-economic growth. CSR was influenced by family values, traditions, culture and religion. In today's business landscape, the effective implementation of Corporate Social Responsibility (CSR) practices has become a critical strategy for companies to shape their reputation and foster goodwill among stakeholders. This study centers on the perception of 250 CEOs in India concerning the role of CSR in building corporate goodwill, alongside an exploration of the potential relationship between their demographic profiles and these perceptions. The primary objectives of this research are twofold: firstly, to analyze how CEOs in India view the contribution of CSR initiatives to their company's corporate reputation and overall goodwill; secondly, to investigate whether CEO characteristics, such as age, experience, and industry background, exert influence on their beliefs regarding CSR's impact on corporate reputation and goodwill. Using a random sampling technique, this study collects data and employs the One Sample T-Test and Chi-Square analysis to extract meaningful insights.

The findings of this study offer insights that can inform businesses, policymakers, and researchers, providing a comprehensive understanding of how CEOs in India perceive the role of CSR in shaping corporate goodwill, and how demographic factors may influence these perceptions.

Keywords: CSR, Goodwill, Social, Corporate Social Responsibility

INTRODUCTION

Corporate Social responsibility (CSR) is continuing commitment by businesses to integrate social and environmental concerns in their business operations. Changes in the global environment increasingly challenge business around the world to look beyond financial performance, and to integrate social and environmental concerns into their strategic management.

In India, corporate social responsibility, or CSR, has gained widespread recognition as an important component of business operations. CSR has changed throughout time from being a voluntary activity to becoming a need for businesses doing business in the nation. To show its dedication to social and environmental development, the Indian government has passed laws requiring some businesses to donate a percentage of their earnings to corporate social responsibility (CSR) programmes.

Beyond charity and charitable contributions, CSR is practised in India. It includes the notion that companies ought to actively pursue sustainable development and accept accountability for their effects on society. Companies hope to foster goodwill and trust among stakeholders—employees, consumers, communities, and investors—by taking part in CSR initiatives. India's varied socioeconomic environment and intricate societal issues make it especially crucial to foster goodwill through CSR. There are large differences in income, access to healthcare, education, and basic utilities in India. In addition to helping communities, CSR programmes that tackle these issues also support the long-term expansion of companies.

Indian businesses now understand how critical it is to match their corporate objectives to societal demands. They are aware that fostering goodwill via CSR activities can improve consumer loyalty, staff involvement, and company reputation. Additionally, it can assist businesses in gaining social acceptance and being perceived as morally and responsibly run organisations. In India, corporate social responsibility (CSR) activities cover a broad spectrum of topics, such as skill development, community development, women's empowerment, healthcare, education, and environmental sustainability. Businesses have contributed to the construction of schools, the improvement of sanitation, the provision of healthcare facilities, the financing of renewable energy initiatives, and the empowerment of socially disadvantaged groups.

An increasing trend in recent years has been the cooperation of businesses, NGOs, and government agencies to promote effective corporate social responsibility (CSR) initiatives. These kinds of partnerships make efficient use of the skills and abilities of various stakeholders to tackle difficult societal issues. All things considered, the idea of corporate social responsibility (CSR) has become increasingly popular in India due to legal mandates, social norms, and the understanding that ethical company conduct is a prerequisite for sustained success. Companies in India are not only upholding their ethical duties but also making a positive influence and cultivating goodwill in the communities they serve by adopting CSR and aggressively pursuing social and environmental goals.

CSR LAW

Every company having:

> Net Worth of Rs.500 Crores or More

> Turnover of Rs.1000 Crores or More

> Not Profit of Rs.5 Crore or More (Net Profit Before Tax)

during the immediately preceding financial year shall establish a Corporate Social Responsibility Committee of the Board involving of three or more directors, out of which at least one director shall be an independent director. Provided that where a company is not required to appoint an independent, it shall have in its Corporate Social Responsibility Committee two or more directors.

LITERATURE REVIEW

In 2019, Shukla, R., and Kapoor, S. This study investigates CSR's attitudes, applications, and difficulties in India. It highlights how crucial CSR is to fostering goodwill and improving brand reputation. The authors stress that businesses should prioritise strategic CSR projects that are in line with societal demands rather than philanthropic endeavours. To get the most out of CSR initiatives, they recommend incorporating them into the main company plan.¹

Bansal, P., and Sharma, H. (2018). This study looks at how CSR supports women's empowerment and gender equality in India. The authors stress the need of gender-inclusive CSR projects include advancing equal job opportunities, offering courses to help women expand their skills, and encouraging female entrepreneurs. They contend that these kinds of programmes benefit a company's reputation and brand image in addition to promoting social development.²

Jena, L. K., and R. K. Pradhan (2018). In the Ahmedabad context, this study looks into the connection between company performance and CSR practises. The authors' discovery of a favourable correlation between CSR efforts and financial performance raises the possibility that businesses that follow ethical standards have a higher chance of seeing long-term, steady growth. To maximise their impact on firm performance, they stress that CSR initiatives should be included into the company's core business operations and matched with its goals.³

D. Singh (2019). This study investigates the relationship in India between CSR and employee engagement. The author makes the case that CSR programmes provide workers a feeling of pride and purpose, which raises engagement levels. The report emphasises how crucial it is for CSR initiatives to be effectively communicated within the company in order to increase employee involvement and comprehension.⁴

Tripathi, V., and S. Verma (2020). The effect of CSR on client loyalty in the Indian banking industry is investigated in this study. The authors discover that consumer impression, trust, and loyalty towards banks are all positively impacted by CSR programmes. They advise that in order to create a strong brand identity and encourage client loyalty, CSR initiatives should be in line with consumer expectations and successfully articulated.⁵

RATIONALE OF THE STUDY

The rationale of the study titled "Goodwill Generation Through Effective CSR Practices: Perception of CEOs of Selected Companies in India" is grounded in the need to explore and understand the role of corporate social

responsibility (CSR) in shaping the perception and goodwill of companies among their leaders. Several key factors drive the significance of this study:

- a) **CSR's Growing Importance:** In recent years, CSR has evolved from being just a philanthropic activity to a strategic business approach. Companies are increasingly investing in CSR to enhance their reputation and goodwill. Investigating how CEOs perceive the impact of CSR on goodwill is crucial.
- b) **Competitive Business Landscape:** The business environment in India is highly competitive. Building and maintaining goodwill is vital for companies to differentiate themselves from their competitors. Effective CSR practices are seen as a means to achieve this differentiation.
- c) **CEO as Key Stakeholder:** CEOs play a pivotal role in shaping a company's CSR strategy and its overall direction. Understanding their perception of CSR and goodwill can shed light on the strategies and motivations behind CSR initiatives.
- d) **Stakeholder Influence:** Stakeholders, including customers, investors, and employees, are increasingly evaluating companies based on their CSR efforts. A positive perception of CSR initiatives by the CEO can have a cascading effect on stakeholders, reinforcing the company's goodwill.
- e) **National and Global Relevance:** India's economy is both rapidly growing and globally interconnected. A study on CSR and CEO perceptions in India has broader implications for similar studies in other countries and can contribute to the global discourse on CSR and goodwill.
- f) **Scarce Research on CEO Perspective:** While there is substantial research on CSR and its impact on various stakeholders, there is a relative scarcity of studies focusing on the CEO's perspective. This study aims to fill this research gap.
- g) **Policy and Strategy Implications:** The findings of this study could inform policy decisions and strategic planning for companies operating in India and potentially serve as a reference point for improving CSR practices.
- h) **Practical Insights:** The study seeks to provide practical insights for companies seeking to enhance their goodwill through CSR initiatives. CEOs can benefit from understanding how their peers perceive CSR's role in reputation management.

In conclusion, the study on "Goodwill Generation Through Effective CSR Practices: Perception of CEOs of Selected Companies in India" is not only timely but also holds relevance for businesses, policymakers, and researchers. It delves into the nuanced relationship between CSR practices and goodwill from the perspective of CEOs, providing a comprehensive view of how these leaders perceive the impact of CSR on their company's reputation and long-term success.

RESEARCH METHODOLOGY

RESEARCH OBJECTIVES

1. To analyse the perception of the CEOs of India towards role of CSR in building Goodwill of the company.
2. To examine the relation between the demographic profile of the CEOs and their perception towards role of CSR in building Goodwill of the company

SAMPLE SIZE

In this study 250 CEOs of India have been targeted.

SAMPLING TECHNIQUE

Random sampling technique have been employed in this study.

DATA ANALYSIS

1. H₀ :CEOs do not believe that their company's CSR initiatives have a significant impact on enhancing corporate goodwill of their company..

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CSR initiatives have a significant impact on enhancing corporate goodwill	-6.387	249	.027	-.468	-.61	-.32

INTERPRETATION

As per the above table it is seen that significance value is 0.027 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that CEOs believe that their company's CSR initiatives have a significant impact on enhancing corporate goodwill of their company.

2. H₀ :CEOs do not believe that CSR practices are integral to their company's reputation management

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CSR practices are integral to their company's reputation management	-3.121	249	.011	-.260	-.42	-.10

INTERPRETATION

As per the above table it is seen that significance value is 0.011 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that CEOs believe that CSR practices are integral to their company's reputation management.

3. H₀ :CEOs do not believe that CSR initiatives positively influence relationships with customers and clients.

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CSR initiatives positively influence relationships with customers and clients.	-9.718	249	.021	-.624	-.75	-.50

INTERPRETATION

As per the above table it is seen that significance value is 0.021 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that CEOs believe that CSR initiatives positively influence relationships with customers and clients.

4. H₀ : There is no significant relation between the demographic profile of the CEOs and their perception towards role of CSR in building Goodwill of the company

Variable-1	Variable-2	Pearson Chi-Square	P Value	Decision
Gender	Positive influence on relations with government and regulatory authorities.	3.844	0.007	There is Significant Relation
	Willing to allocate more resources to CSR initiatives	9.067	0.044	
	CSR can have a direct impact on company's financial performance.	1.382	0.035	
	CSR initiatives have a significant impact on enhancing corporate goodwill.	5.723	0.028	
Age	Positive influence on relations with government and regulatory authorities.	10.335	0.009	
	Willing to allocate more resources to CSR initiatives	7.62	0.031	
	CSR can have a direct impact on company's financial performance.	13.759	0.018	
	CSR initiatives have a significant impact on enhancing corporate goodwill.	15.028	0.026	

Variable-1	Variable-2	Pearson Chi-Square	P Value	Decision
Experience	Positive influence on relations with government and regulatory authorities.	6.88	0.037	
	Willing to allocate more resources to CSR initiatives	10.095	0.011	
	CSR can have a direct impact on company's financial performance.	20.308	0.044	
	CSR initiatives have a significant impact on enhancing corporate goodwill.	13.09	0.014	

Based on the above chi-square testing table, it can be seen that there is significant relation between the demographic profile of the CEOs and their perception towards role of CSR in building Goodwill of the company

CONCLUSION

In conclusion, the study on "Goodwill Generation Through Effective CSR Practices" sheds light on the perceptions and beliefs of CEOs regarding the role of CSR in enhancing corporate goodwill. Several key findings have emerged from the survey data:

The study indicates that CEOs believe that their company's CSR initiatives have a significant impact on enhancing the corporate goodwill of their organization. This underscores the recognition of the substantial goodwill-building potential of CSR efforts. A noteworthy finding is that CEOs perceive CSR practices as integral to their company's reputation management. This recognition underscores the strategic importance of CSR in maintaining a positive corporate image. CEOs acknowledge that CSR initiatives positively influence their relationships with customers and clients. This reflects the understanding that customers and clients value socially responsible practices and that such initiatives can foster stronger connections. The study suggests a relationship between the demographic profile of CEOs and their beliefs regarding CSR. This indicates that factors such as age, experience, and industry background may influence how CEOs view CSR and its role in dealing with government and regulatory authorities. This insight can be valuable in tailoring CSR strategies to specific CEO profiles. The data reveals that CEOs are willing to allocate more resources to CSR initiatives, believing that such investments can further improve their corporate goodwill. This willingness to invest in CSR showcases a commitment to long-term goodwill generation. CEOs also express a belief that CSR can have a direct impact on their company's financial performance. This highlights the understanding that CSR is not only a reputational tool but also a factor that can influence the bottom line. CEOs, as a consensus, recognize that CSR initiatives have a significant impact on enhancing corporate goodwill. This overarching belief reaffirms the strategic importance of CSR in the contemporary business landscape.

These findings collectively emphasize the increasing awareness among CEOs in India regarding the profound significance of CSR in shaping their company's reputation, relationships, and financial performance. The study underscores the need for continued efforts to align CSR practices with the values and expectations of stakeholders, demonstrating that effective CSR strategies can be instrumental in building and enhancing corporate goodwill, ultimately contributing to the long-term sustainability and success of companies.

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