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CORPORATE SOCIAL RESPONSIBILITY AND VALUE CREATION WITH SPECIAL REFERENCE TO INDIAN COMPANIES

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ABSTRACT
Corporate Social Responsibility refers to the set of actions by the company towards various stakeholders such as employees, customers, suppliers and society at large. The very nature of Corporate Social Responsibility being voluntary raises an alarm as to does it has any role in value creation of the firm which provides motivation for the current paper. The objective of the current paper is to explain theoretically the benefits that the companies derive from adopting Corporate Social Responsibility and what challenges a company has to face in Implementing Corporate Social Responsibility.

KEYWORDS:
Corporate social responsibility, ESG (Environment Social Governance) India index, value.

JEL CLASSIFICATION CODE:
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INTRODUCTION:

Over the past few years, there has been a shift in the perception of role of the companies in the societal context in which it operates. Traditionally, corporate were meant to focus purely on economic considerations for success but over the years, there has been a revamping of the role of corporate by acknowledging their wider responsibility beyond economic considerations and encompassing their responsibility towards society and environment.

As a result of this shift (from purely economic to 'economic with social dimension'), corporates are endorsing the term Corporate Social Responsibility (CSR) and making it integral part of the corporate strategy.

Today, Corporate Social Responsibility has become a global concern where organizations are conscious of their activities and its impact on various stakeholders such as customers, employees, shareholders, communities and the environment in all aspects of their operations. It is one of the most important global issues with serious challenges and implications on almost all the sectors. Emerging economies, including India, are concerned with issues related to education, human rights, community welfare, women empowerment etc. and there is a need for a strategic initiative by corporate through CSR.

Corporate social responsibility (CSR) thus provides an intelligent way to combine economically viable development and social responsibility.

Undertaking CSR initiatives is beyond any legal or contractual obligation and is purely voluntary in nature. Despite the fact that CSR is voluntary, companies are adopting it at an increasingrate. This endeavour of companies towards CSR raises inquisitiveness as incorporating CSR is helpful in value creation of the firm. Realizing the importance of undertaking socially challenged activities and at the same being economically viable, the rising concern of organizations is to find whether their enhanced social performances also enhances the value of the firm.

Different stakeholders have differing opinions on what it means to be 'socially responsible'. According to Fiedman, (1970), the corporation is an economic institution and thus should specialize in the economic sphere. In his view business has only one social responsibility that is to maximize the profits of its owners (to protect their property rights). Organizations are seen purely as legal entities incapable of value decisions. A manager who uses a firm's resources for non-profit social purposes is thought to be diverting economic efficiency. He argues that ethical and discretionary considerations are irrelevant and decisions that include these factors may harm a firm's financial performance. On the other hand, amongst others, Davis (1973) opines that, "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm is to accomplish social benefits along with the traditional economic gains which the firm seeks". Donaldson, 1983 sees social responsibility as a contractual obligation firms have towards society as it is society that has permitted firms to use both natural and human resources and has given them the right to perform their productive functions and to attain their power status. "As a result, society has a claim on the firm and the right to control it. According to Epstein, (1987), CSR may be considered as the "discernment of issues, expectations and claims on business organizations regarding the consequences of policies and behavior on internal and external stakeholders. Levy, (1999) opines that corporate philanthropy and social initiatives are the heart and soul of business. He stresses that social endeavors must be consistent with business objectives for earning profit (heart) and must express the values of serving society (soul). McWilliams and Siegel, (2001) observes, CSR to be a set of actions that appear to further some social good, beyond the interests of the firm and that which is required by law.

Thus, there need not be a specific definition of CSR, but in whatever way it is defined, it definitely is beneficial for the company. In this respect, the current paper aims at highlighting how CSR activities move towards creating value for the firm. It is important to understand here is what value are we talking about?

Total value is a term that includes all forms of value that determine the health and well being of firm in the long run. Total value expands the concept of value of firm beyond economic value to include other forms of value such as employee value, customer value, supplier value, channel partner value, alliance partner value, managerial value and societal value.

The remainder of the paper is organized as follows. Section I and II focuses on stating the problem under consideration and significance of the study. Section III gives a brief review of literature related to the topic. Section IV details out various Indian Experiences with respect to CSR initiatives, Section V enumerates the benefits of CSR and Section VI highlights the challenges of incorporating CSR. Section VII minutiae information on ESG India index and Section III concludes the paper.

STATEMENT OF PROBLEM:

This paper will help to understand the meaning and significance of corporate social responsibility. What are the attractions for taking up CSR? Also highlighted in the paper is what are the initiatives taken up by Indian companies to understand what percentage of their earnings are spent on the CSR activities. The paper also talks about the criticism for CSR activities. And lastly, paper elaborates about the newly developed ESG index in 2008.

SIGNIFICANCE OF THE STUDY:

The current paper by signaling that CSR is an important ingredient in value creation, is of utmost significance for diverse segments. First of all companies can be benefitted by this paper as they can use CSR strategically to enhance value. Second, it is of importance to the policy makers who can device a pro

CSR policy which will not be anti shareholders and company as this paper stresses upon. Finally, paper is of help for other researchers and academicians.

REVIEW OF LITERATURE:

Several studies have been conducted to find the relationship between corporate social responsibility and business performance both within India and overseas. Regarding the link between social responsibility and business performance, existing literature expresses varying, and at times contradictory findings on the subject.

Balbanis, 1998 investigated the relationship between CSR and economic performance of firms in terms of their:

- Contemporaneous or subsequent economic performance; and
- Past economic performance

This study focused on corporations that operated in the UK environment. In total 56 firms were included in the study. The main criteria for their selection was quotation on the London Stock Exchange and the availability of CSR ratings by the New Consumer Group (NCG) – a UK public-interest research organization. The study covered more than 20 industry sectors. Each company was rated on 13 different aspects related to CSR. Measurement of economic performance included: financial (return on capital employed, return on equity and gross profit to sales ratios); and capital market performance (systematic risk and excess market valuation). The set of corporate social responsibility measures related to the period 1988-1989. Based on this period of time, economic performance data was divided into three periods: 1984-1987 (pre-assessment period); 1988-1989 (concurrent period); and 1990-1994 (post-assessment period). Findings of the study were a mixed bag. Regression analysis showed a quite strong relationship between disclosure and CSR performance. A chi square test showed that contributions to the Conservative Party were not statistically related to Economic League membership. T-test analysis failed to uncover any statistically significant ($p \leq 0.05$) differences between Conservative Party donors and non-donors, in terms of CSR disclosure or any of the CSR performance variables. One important point was the impact CSR activities with a significant cost element. In particular environment care related activities assumed to have a higher cost – were found to be negatively related to subsequent financial performance (ROCE). On the other hand less costly CSR activities, like the enhancement of women's corporate position were found to have a positive but not instantly realizable effect on capital markets.

Verschoor, 1998 aimed at demonstrating a link between overall financial performance and code of ethics as an aspect of corporate governance. The objective of the analysis was to answer the question whether a mainstream emphasis on corporate social and ethical accountability is consistent with superior financial performance. The companies chosen for analysis were the largest 500 publicly held U.S. corporations in terms o sales or revenue as reported in the 1996 Business Week. The measure used to assess financial performance was a new ranking of large company performance, prepared by business week. BW ranked each company using eight financial measures: Total Return for 1 and 3 Years, Sales Growth for 1 and 3 years, Profit Growth for1and 3 years, Net Margin, and Return on Equity. Companies were divided into two groups by differentiating those who make a public commitment to the use of ethical practices in dealing with their stakeholders as a corporate-wide strategy and those who did not. Statistical analysis showed that the mean financial performance rank of companies with a stated commitment to ethical behavior is higher by a statistically significant amount when compared with the mean rank o companies that either published no management report or did not make any reference to ethics. The study showed a statistically significant linkage between a management commitment to strong controls that emphasize ethical and socially responsible behavior on one hand and favorable corporate financial performance on the other.

McWilliams, A, 2000 has discussed the correlation between CSR and R&D, and how to appropriately estimate the impact of CSR on financial performance. Investment in R&D, has been shown to be an important determinant of firm performance. Sample size constituted a total of 524 firms for which the data was used for the years 1991-1996. They hypothesized that R&D and CSP are positively correlated, since many aspects of CSR create a product innovation, a process innovation, or both. The firm constructed the Domini 400 Social Index (DSI 400), the functional equivalent of the Standard and Poor's 500 index for socially responsible firms. Measure of CSP was taken as a dummy variable, with a value of 1 if a firm is included in the DSI 400 in a given year (for having passed the "social screen"); 0 otherwise.

The results confirmed the hypothesis regarding the importance of including R&D and industry factors in a model that attempts to "explain" corporate performance. When R&D and industry factors are excluded from the model, the coefficient on CSP is positive and statistically significant. However, when R&D and industry factors are added to the model, the magnitude of the coefficient diminishes dramatically and is no longer significant.

Van de Velde, 2005 aimed at investigating the interaction between corporate social responsibility and financial performance. Can socially responsible investors, integrating environmental, social and ethical issues in their investment policy, expect the same return as traditional investors, was the research question to be answered. The period of investigation was from 1 January 2000 to the end of November 2003. To measure the sustainability of a company, Vigeo corporate social responsibility scores were used. Vigeo is an independent corporate social responsibility agency that screens European quoted companies on CSR. To measure the impact of corporate social responsibility on performance, four different portfolios were constructed based on the companies' total sustainability rating. Based on the sustainability ratings agency Vigeo, Fama and French approach was performed to adapt for style biases in the performances. The results indicated that, on a style-adjusted basis, high sustainability-ratedportfolios have performed better than low-rated portfolios, but, probably due to the short horizon, not to a significant extent. The same results were found for four out of the five sub-ratings of which the sustainability rating is composed, suggesting that sustainability is a broad and multidimensional concept that cannot be attributed to one specific theme or topic. The results also indicated that investors are ready to pay a premium for companies with good management of their relations with shareholders, clients and suppliers.

Lamandi. I.E. (2007) emphasized on bringing a theoretical and practical evidence proving that CSR improves the business commercial and financial performance. As a case study, an international company – BDR (Romanian Development bank) was analyzed in the Romanian market that has increased its business performance by adopting different CSR measures. In order to analyze and quantify the social accountability of BRO, four main types of criteria i.e. community, diversity, employee relations and reporting was considered and them different weights were assigned according to the national and corporate culture considered. The data was gathered from Reuters and covers the 2001 – 2007 financial years. The financial performance was assessed both by accounting and market based measures. Besides accounting ratios, common stock returns was also considered as the performance measures.

In order to detect and examine causal relation between social and financial performance Granger causality tests were applied. The test addresses the issue of whether the current value of a variable y can be explained by past values of the same variable and then whether adding lagged values of another variable x improves the explanation of yt. As such, the variable y is said to be Granger-caused by x if the coefficients on the lagged values of x are found to be statistically significant. The results with respect to Granger tests showed that the results are statistically significant and a relationship could be established between social activities and financial performance.

Mittal, 2008 aimed at exploring some indicative measures of ethical commitment/ corporate responsibility and then compare them against financial performance measures over a period of four years. In this way, the research was set out to investigate whether it can be shown that a commitment to business ethics does pay. For the research, three indicators – two of corporate financial performance (market value added, economic value added), and one of corporate social responsibility (having a code of ethics). The sample consisted of 50 companies taken from the S&P CNX Nifty for which full and comparable company data was available for the years 2001-2005. It was divided into two cohorts; those who had codes of ethics/conduct/principles listed in their annual reports and those who did not. The study investigated the relationship between ethical commitment and financial performance, through statistical regression and correlation analysis. The results indicated, correlation of CSR with EVA over the five-year period had negative correlation in three out of five years and in two years when it showed positive correlation the figure was very low indicating insignificant correlation. Correlation of CSR with MVA indicated positive correlation but again the figure was very low to indicate any significant relationship.

Lin, C.H. (2009), aimed at examining companies in Taiwan to find out the relationship between CSR and firm performance. To measure the impact of CSR on financial performance, a sample of 33 companies was extracted from the top 1000 (by sales revenue) Taiwan-based companies as evaluated by Common Wealth Magazine. For each company, financial data was retrieved from the Taiwan Economic Journal Databank from January 2002 to December 2004. The study considered donations as an indicator of CSR concern in each business, and the donation ratio as a CSR proxy variable. Return on Assets (ROA) was taken as the short-term variable of corporate financial performance (CFP). For short term period i.e. a one year period, regression analyses were undertaken and for long term period, five financial indicators were measured: the Jensen measure, the amended Jensen measure, the Treynor measure, the Sharpe measure, and the MCV measure. Results showed that in the short run, it is not a case of "the better a firm's CSR investments, the better its CFP." i.e. there was no significant relationship between CSR and financial performance. Findings suggested that even if positive CSR activities do not increase immediate profitability, they may be instrumental in reducing the risk of damage to brand evaluations in the long run.

Samy, M. 2010. The objective of this research was to see if business can be sustainable through the use of corporate social responsibility as a strategic tool for business sustainability and profitability. The study adopted a quantitative analysis and exploratory approach. It studied the CSR practices of 20 selected UK companies and its relationship with financial performance. The data was collected for a period of five years starting from 2002 to 2006. The analysis of CSR policies was based on the global reporting initiative (GRI) guidelines. The GRI reporting guidelines were measured according to the reports on the following headings that companies were required to disclose: economic; environmental; social; human rights; society; and product responsibility. The dependent variable i.e. financial performance was measured by taking five years earning per share ratio (EPS). In analyzing if there is a causal relationship between financial performance, i.e. average earnings per share and the corporate social responsibility (CSR) policies of 20 selected UK companies, a statistical calculation known as product moment correlation coefficient was undertaken. The findings indicated that there is a causal relationship between the EPS and CSR reporting. However, in analyzing the strength of the relationship, the findings indicated that it is weak. Thus, the findings in the study indicated that EPS which is influenced by stakeholders perception of corporations had an association with CSR reporting through the measure of GRI which further influences the perceptions of stakeholders.

Moneva, J.M., 2010 conducted a study to find the relationship between the degree of corporate environmental performance (CEP) and that of corporate financial performance (CFP). Environmental and financial performance of a sample of 230 European companies across 18 countries was studied. Data for the CEP indicators were collected from the year 2004, while those for CFP were collected from the 2005 to 2007 period. The multivariate approach was proposed for measuring CEP and CFP latent constructs which will minimize the bias of the incorrect exclusion of some variable for both the dimensions. Four CEP dimensions were identified, i.e. Environment dimension (ED), environmental management system (EMS), programs to reduce environmental impacts (PRE) and energy consumption (EC). Regarding indicators for measuring CFP, the most common reflective indicators were chosen for measuring the CFP factor: return on assets (ROA), profit margin, return on equity (ROE), as relative magnitudes, and cash-flow and operating profits as absolute magnitudes. A multidimensional perspective of the CEP and CFP dimensions was used by means of a partial least squares model (PLS). The findings suggested, companies that obtained better levels of CEP improved their internal efficiency and their CFP in the next periods. Furthermore, the link between CEP and CFP was significant in all the periods analysed, showing that it was a persistent effect and not based on short-term issues.

Mishra S (2010) examined whether corporate social responsibility (CSR) towards primary stakeholders i.e. employees, customers, investors, environment, community and suppliers influences the financial and the non-financial performance (NFP) of Indian firms. Data on CSR and NFP was collected from 150 senior level Indian managers including CEOs through questionnaire survey. Hard data on financial performance (FP) of the companies was obtained from secondary source i.e. Prowess database of CMIE. Data for each of 150 firms and each of 18 categories of industries was collected from the CMIE-Prowess database for 3 years from 2003-2004 to 2005-2006. Listing in stock exchanges, type of ownership, and firm size were the control variables. Data on stock listing status, ownership type, and annual sales were obtained from the CMIE-Prowess database. Data on number of employees was obtained from the respondents. Karl Pearson correlation and hierarchical regression analysis was used to test the hypotheses. Findings suggested that first, listed firms had better CSR and FP than non-listed ones. Second, controlling the confounding effects, both the aggregate and segregate measures of CSR predicted FP and NFP of firms but CSR influenced the NFP of firms more potently compared to FP of firms.

Thus, on one hand there are studies (Moscowitz (1972), Verschoor, (1998), McWilliams, A (2000), Lamandi IE., (2007), Lin, CH. (2009) which say that socially responsible corporations obtain internal benefits that influence business performance i.e. confirming a positive correlation between corporate social responsibility and business performance. On the other hand, certain researches (Friedman, (1970), Ullmann, (1985), McGuire, (1988), concluded that there is an adverse relationship between CSR and business performance due to the additional costs associated with high investments in social responsibility. Some of the studies (Aupperle, (1985) havenegated the presence of any correlation between the Corporate social responsibility and business performance. Findings of the previous studies have been inconclusive about the relationship between the two variable i.e. corporate social responsibility and business performance, whether it remains negative, positive or unrelated.

THE INDIAN EXPERIENCE:

The Indian business has traditionally been socially responsible, but the subject of corporate social responsibility has evolved during last about seven decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which business operates. (Ministry of Corporate Affairs, Government of India, 2009). Corporate social responsibility as represented by the contributions undertaken by companies to society through its core business activities, its social investment and philanthropy programmes and its engagement in public policy, in recent years it has become a fundamental business practice and has gained much attention from chief executives, chairmen, boards of directors and executive management teams.

They understand that a strong CSR program is an essential element in achieving good business practices and effective leadership. Companies have determined that their impact on the economic, social and environmental landscape directly affects their relationships with stakeholders, in particular investors, employees, customers, business partners, governments and communities. The concept of corporate social responsibility in large industrial groups has occupied a prominent place in their policy making and strategic decision making. Corporates like Tata Group, ITC, Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Today, CSR in India has gone beyond merely charity and donations, rather it is considered as an integral part of corporate decision making. In today's corporate era companies have CSR teams that device specific policies, strategies, goals and budgets for their round the year CSR programs.

Practices followed by Indian Companies related to CSR are as follows:

1. ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. In 2007008 Rs. 246.70 crores was spent by oil PSUs on CSR activities. ONGC's CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.
2. SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment.
3. BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.
4. ITC is the only company in the world of its size to be 'Carbon positive' (sequestering nearly twice as much carbon dioxide than it emits, through extensive forestry programmes covering over 77,000 hectares), 'water positive' (harvesting four times more rainwater than its net consumption, in the process irrigating 30,000 hectares) and close to zero solid waste discharge. Its business generate livelihoods for 5 million people.
5. Reliance Industries initiated a project named as "Project-Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.
6. Mahindra & Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
7. GlaxoSmithKline Pharmaceutical's CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical checkup and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.
8. Bajaj Electricals Ltd. Corporate social responsibility activities include providing education, Rural Development & Environemnt.

BENEFITS FROM SOCIETAL CONCERN:

Organizations irrespective of size are rapidly discovering that Corporate Social responsibility (CSR) and sustainable business practices can foster improved green programs and overall environmental stewardship. Increasing awareness and active participation by the business professionals in the development and implementation of CSR policies has proven to yield a positive return on investment (ROI).

Following are the directions in which CSR benefits the company and community:

1. CUSTOMER PERSPECTIVE: BRAND IMAGE AND CUSTOMER LOYALTY:

The most significant business benefit of CSR is the positive effect it can have on brand image and customer loyalty of an enterprise. If a company is known to be socially responsible and ethical, and if it markets itself as such, then it will be well positioned in a competitive market. Consumers being a part of the society and one of the major stakeholders of the company are becoming more and more interested in supporting companies who are seen to be 'doing the right thing'.

2.**INVESTOR PERSEPECTIVE: ACCESS TO CAPITAL; SOCIALLY RESPONSIBLE INVESTING**:

Increasingly, investors are becoming more and more interested in the CSR policies of the companies they invest in, particularly in issues relating to the environment and human rights. A good CSR policy will attract investors who will on principle no longer invest in companies who do not have a good reputation for CSR. This means that socially responsible companies will have access to a larger capital base.

3. COMMUNITY PERSPECTIVE: GOODWILL AND REPUTATION BUILDING:

Another important business benefit attached to CSR is based on public perception. A socially responsible company monitors and takes responsibility for its own actions. It strives to minimize its impact on the environment. It deals with all of its stakeholders fairly. It contributes to the greater good of society through giving and volunteering programs. If the public, the media, the governments and the regulators see that all these things are genuinely happening, then the company will be building itself a reputation that will be enough to carry it through any potential turmoil.

CSR IN INDIA – CHALLENGES:

CSR has come a long way in India. From responsive activities to sustainable initiatives, companies have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. Today, CSR in India has gone beyond merely charity and donations, rather it is considered as an integral part of corporate decision making. In today's corporate era companies have CSR teams that device specific policies, strategies, goals and budgets for their round the year CSR programs. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programs in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others. Despite these rapid advances, implementation of Corporate Social Responsibility in India has been facing numerous problems like lack of transparency, absence of well-defined CSR norms, narrow perception of government towards CSR, lack of community participation in CSR activities, low awareness level, lack of consensus for implementing CSR issues etc. In short, the challenges before CSR in India have been many-fold. Few of these challenges are listed below:

1. Non-availability of clear CSR guidelines: There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger should be its CSR programme.
2. Lack of consensus on implementing CSR issues: There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing

agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

3. Lack of motivation: The biggest challenge for companies to undertake CSR activities is to justify their socially responsible behavior viz a viz their role as a shareholder's value creator. CSR in its true sense does not provide any explicit motivation for the companies to undertake it with great interest.
4. CSR as a means and not an end: The biggest challenge for effectiveness of CSR is the lack of its entirety. It is often used by the companies to achieve some competence to benefit the community in real sense. (Karmayog. 2007).
5. Lack of transparency: Lack of transparency is one of the key issues in effective implementation of CSR. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This negatively impacts the process of trust building between companies and local communities, which is key to the success of any CSR initiative at the local level.
6. Narrow perception towards CSR initiatives: Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven. The companies lack in terms of integrating CSR with their strategic goals.

S&P ESG (ENVIRONMENT, SOCIAL & GOVERNANCE) INDIA INDEX:

The integration of ESG issues into the financial markets in India is picking up and efforts are being done to distinguish the organizations which are depicting high level of commitment towards Socially responsible initiatives. The stock exchanges, regulators and other enablers have taken some crucial steps but the enabling environment continues to remain weak. The country had its first sustainability indicator in 2008 – the IFC sponsored S&P ESG India Index.

The ESG India Index launched in 1998 by Standard and Poor, CRISIL and KLD Research & Analytics comprising 50 companies, is the first investible index of companies whose business strategies and performance demonstrate a high level of commitment to meeting environmental, social and governance standards. The index is a pioneering initiative to measure environmental, social, and corporate governance practices based on quantitative as opposed to subjective factors. The index provides investors with exposure to a liquid and tradable index of 50 of the best performing stocks in the Indian market as measured by environmental, social, and governance parameters.

These 50 companies are drawn from the largest 500 companies listed on the National Stock Exchange of India through a two-stage screening process viz. qualitative and quantitative criteria. The performance on ESG parameters assures investors that their portfolio is consciously balancing the interests of all stakeholders and, thereby, creating a platform for strong long-term performance.

METHODOLOGY:

The index employs a uniqueand innovative methodology that quantifies a company's ESG practices and translates them into a scoring system which is then used to rank each company against their peers in the Indian market.

The creation of the index involves a two step process, the first of which uses a multi-layered approach to determine an 'ESG' score for each company. The second step determines the weighting of the index by score. Index constituents are derived from the top 500 Indian companies by total market capitalization that are listed on National Stock Exchange of India Ltd. (NSE). This universe of stocks is then subjected to a screening process which yields a score based on a company's ESG disclosure practices in the public domain. Following table shows the top 10 sustainable companies prioritized according to the index weight.

TOP 10 COMPANIES ACCORDING TO WEIGHT

COMPANY	INDEX WEIGHT	MARKET CAPITALISTION (INRBILLION)
Mahindra & Mahindra Ltd.	2.70%	14827.91
Wipro Ltd.	2.67%	14664.40
Infosys Ltd.	2.51	1752.58
HCL Technologies Ltd.	2.44	13390.04
ITC Ltd.	2.44	13375.40
TCS Ltd.	2.40	13190.80
Tata Chemicals Ltd.	2.27	12440.46
Dr. Reddy's Lab Ltd.	2.26	12427.22
Larsen and Toubro Ltd.	2.25	12355.94
ACC Ltd.	2.15	11916.72

Source: www.nseindia.com

CONCLUSION:

Traditionalists see CSR as a potential distraction and loss of focus from fiduciary duty to the company and its shareholders. Yet, companies now in this camp advocated the need to focus on its broader social role and engage in philanthropic activities. The concept of corporate social responsibility is now universally acknowledged as the need of an hour. Across the globe, measures are taken by the organizations to add their contribution to the society. In India, though CSR is nothing new but to convert theoretical intention into concrete action, still many obstacles need to be overcome. The companies though are taking it up voluntarily but known to them is the fact that their interest lies in building up value of the business. Corporate Social Responsibility initiatives by the company brings a lot of benefits to the company which may not be realized in tangible terms but can be appreciated in terms of having an impact on value enhancement of the company. Looking at the benefit of CSR to the society or other stakeholders as the case may be is only one side of the coin. In this social benefit endeavor companies are also benefitted in terms of customer loyality, brand building, and giving company a competitive edge. However, lack of transparency and no set of guidelines is a major issue.

The spent by the companies on CSR activities have increased many fold over the years companies strategic initiatives towards society through CSR activities is one of the ways to increase value of the firm. There is a need therefore to have a set of guidelines for the CSR activities.

The newly developed ESG Index helps highly socially active companies to increase its value. A study conducted revealed that companies with ESG Score more than 55 were more stable and the firm's value and ESG Score were positively related. There is a threshold beyond which firm's value increases with increase in CG score and investors assign a premium on the firm value when the CG score crosses this threshold.

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