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## Corporate Social Responsibility: An Analysis of Pharmaceutical Companies

Kavita Sharma

Research Scholar, Punjab Technical University, India

### **Abstract:**

India, now witnessing the new changes in corporate development and that is RESPONSIBILITY. It is never too late to understand that “what you received is what you give”. Corporate social responsibility is not a new concept, but its adoption is new for India. Now in India, companies have started taking initiatives to meet various needs of society. The present study has focused on the status of the Corporate Social Responsibility in the pharmaceutical industry. The study conducted to analysis the implication of new the Companies Act, 2013 in pharmaceutical companies. The pharmaceutical companies need to think beyond the basic definition of CSR, as they are the one who directly deals with the health of the society. The study concluded that the after new Companies Act, 2013 the pharmaceutical sector has become much more aware about their responsibility towards society, and taking initiative for making it better.

**Keywords:** Corporate social responsibility, Philanthropic activities, Companies Act, 2013, Initiatives of pharmaceutical industry

### **1. Introduction**

Corporate Social Responsibility (csr), has become the most talked about topic in India these days. It would not be wrong if we say that in India CSR is being practiced for the ages in the business. With the earlier name of charity, donations, social causes, philanthropy, but now it's found subsistence with the name “Corporate Social Responsibility”. However, the question arises that, do we really understand the term as the same way as it interprets globally; else are we restricted to our beliefs by relating it to the charity. Charity is simple social cause when something has done for the well being of society, but when it's about to CSR it turn to a wider term & become strategic, complex in nature. Thus, charity & CSR are two different concepts, but unfortunately, mixed together, even in the corporate world. There is only prime motive of the corporate- Profit. However, since a corporate work with domain & with society, so, it is inescapable that it can keep working profitably if the environment & society do not struggle with the challenges. Thus, it's important for the corporate sector to understand that environment, society & business goes hand in hand. The pharmaceutical sector is the prime sector with the perception among the people that its supreme motive is to care about the society and also often get higher revenues. For business industries, working beyond philanthropy is important as it is the key to success, especially when it comes about pharmaceuticals. Due to globalisation, the concept of CSR becomes more strategic in nature. The corporations are making disclosures of CSR reports on their respective web sites, annual reports, and director's report. To make it more transparent and mandates the Government of India has introduced the Companies Act, 2013, schedule vii of the Act specified the activities of CSR that companies need to be followed. The new Act made it compulsory for the corporations invest 2% of their three- year average annual net profit on the CSR activities, each financial year. By drafting the rules the Government of India made it clear that CSR needs to go beyond philanthropy. Now, it will be important for the Government to observe that how corporate will translate it into actions at functional level& how the understanding of CSR will change.

#### *1.1. Meaning of Corporate Social Responsibility*

Traditionally, CSR has been defined more towards donation & philanthropy. Social responsibility was about to donate the certain amount of profit for the social cause voluntary. But with the changes in time & global influences the meaning of CSR turn to be changed. Now, social responsibility becomes an integral part of business strategy that it should be managed properly to enhance the competitiveness of business & to maximise the value of wealth for stakeholders.

Corporate social responsibility also known as the Corporate Governances, Corporate Ethics, Corporate Accountability, Corporate Conscience, Corporate Citizenship, Responsible Business.

The CSR term becomes popular in the 1960s. The business dictionary defines CSR as “A corporate understanding of responsibility towards the society & environment in which it work. Companies express the responsibility through the process they adopted for their, (1) waste & pollution reduction process, (2) by contributing to the social causes, (3) by distributing profits adequately.

Social responsibility for an organisation includes various decisions as environmental responsibility, activities for society, transparency and ethical behaviour, and welfare of stakeholders, implications of law & regulations and to integrate all with the profits.

There may be no single definition of CSR, some of the resent given definitions are as:

The EC, defines CSR as “the responsibility of business for their impact on society, environment”. To totally meet their social obligation undertakings “ought to have set up a procedure to incorporate social environment moral human rights and shopper worries into their business operations and close technique in a close joint effort with partners. “

The WBCD defines CSR as, “the proceeding with responsibility by business to add to monetary improvement while enhancing the personal satisfaction of the work power and their blowout well as of the group and society on the loose”.

The UNIDO defines CSR as “Corporate social responsibility is a management concept whereby corporations collaborates social & environment concerns in their business activities & with stakeholders. CSR could be simply defined as the process by which a business creates a balance of economic, environmental & social aspects (Triple- Bottom –Line Approach), and at the same time obliged the stakeholders too.

From the above definitions it could be analysed that:

1. The CSR methodology is all encompassing and incorporated with the center business system for tending to social and ecological effects of business.
2. CSR needs to oblige the society as a whole not just the company’s stakeholders.
3. The CSR is more than the philanthropic activities.

Benefits that arise when companies adopt strategy for CSR investment:

→ Benefits for company:

1. Maintained goodwill & enhanced brand image.
2. Better relations with community.
3. Diversity.
4. Create a better image between employees & helps in retaining them.
5. Make customers more loyal.

→ Benefits for society:

1. Philanthropic contributions.
2. Charitable programs.
3. Product quality.
4. Involvement in community’s betterment.
5. Voluntary programs.

CSR benefits the Environment with material recycle, material management, life cycle assessment, waste management.

### *1.2. CSR and Pharmaceutical Industry*

The pharmaceutical industry in India is among the much sorted out segment of business. The pharmaceutical industry is on new heights with the generation advancement, assembling and research because of low cost manufacturing and the presence of skilled & qualified labour. The pharmaceutical sector is the prime sector with the perception among the people that its supreme motive is to care about the society and also often get higher revenues. For business industries, working beyond philanthropy is important as it is the key to success, especially when it comes about pharmaceuticals. Thus, pharmaceutical and healthcare companies are on the top of the public expectations. So, CSR is the best way to give back to the society & at the same time with profitability. For pharma companies CSR could be a different approach as they can apply their advance science, technology, research and expertise to the issues of health care.

The present study has focuses on the CSR & reporting on the pharmaceutical companies. Corporate social responsibility could be performed in many ways thus it is non -measurable. So, the study has made an attempt to analysis the CSR activities carried out by the pharmaceutical companies.

## **2. Literature Review**

Howard Bowen, (1953) made the first scholarly contribution in his book” The Social Responsibility of Business”. He gave the definition as” the commitment of business to seek after those approach to settle on those choices, or to follow those lines of activities which are attractive as far as the goal and estimations of our general public”.

Milton Friedman’s contributed (1970) his views that “that the business has only one responsibility that is to use resources & to commit activities for profits”. He mixed the concept with stakeholder’s wealth.

Carroll (1979), he first defined the categories of CSR that it’s simple to remind purposes if that’s been well categorised. The steps that has been given by him “a). Discretionary Responsibility b.) Ethical Responsibility c.) Legal Responsibility d.) Economic Responsibility.

Carroll (1991), defined the CSR pyramid. In this pyramid he defined the responsibilities according to needs. The modal that presented by him as, 1. Philanthropic responsibility, 2. Ethical responsibility, 3. Legal responsibility, 4. Economic responsibility.

Carroll (2004) redefined his 1991 pyramid again, in his new theory he incorporates the concept with stakeholders. He gave the new definitions,” economic responsibility what is required by capitalism, legal responsibility what is required by stakeholders, ethical responsibility what is expected by stakeholders”.

Mite (2011), gave the most resent and new concept that “the strategic value of CSR could be understand by the corporate financial performance & business operations. “

Simpson & Taylor (2013) defined CSR as “apart from core responsibility of profit maximisation, the business needs to perform additional responsibility of community”

CSR & Pharmaceutical Companies studies:

Semthi Vadivu.S, Raja.S.S(2015), the study throws the light on the CSR initiative taken by Pharmaceutical companies. The study concluded that, Pharmaceutical companies are thinking strategically, having expertise, and enough profits for social welfare.

Mita Mehta & Arti Chandni (2015), studied the status of Pharmaceutical industries in the field of CSR. The study took the sample of top Indian companies for last five years, to know the status of CSR whether they are investing as per the rules or not. The study concluded that there is a strong relationship between CSR & performance of the companies. If profit after tax is high the investment in CSR goes high relatively.

Pravin. D. Swant (2014), the study was about what practice done by the Pharmaceutical companies for adopting the CSR practices. The studied the 5 pharmaceutical companies CSR's activities. The study concluded that most of the companies took CSR as an expansive partnership with the community, but now, the New Companies Act, 2013 made CSR more specific for the companies.

### 3. Objective of the Study

The present study aims to evaluate the CSR activities of top five pharmaceutical companies of India.

1. To study the intuitive taken by Pharmaceutical companies in India.
2. To study the investment made for CSR out of profits.

### 4. Research Methodology

The blue print of the study, which is going to be conducted, is known as Research Methodology. The present study is an exploratory study design. The study is based to analysis the CSR activities of top five pharmaceutical companies of India. The selection of top ten companies was, according to the capitalisation of the companies. The study, based on secondary data, the data collected from research articles, journals, web sites and annual reports of the companies.

### 5. Corporate Social Responsibility Initiatives by the Pharmaceutical Companies

A business that works for society along with its profit motives has a better chance for survival. The companies need to redefine it's purpose of making profits to develop a business which integrated with the society. The companies now, require clear policy, strategy, transparent records, and practices for CSR.

Top ten listed pharmaceutical companies in India according to market capitalisation as of July, 2015.

Rank	Companies	Market capitalisation (crores)
1	Sun Pharmaceutical	2,17,636
2	Lupin Ltd	84,193
3	Dr. Reddy's Laboratories	63,779
4	Cipla	52,081
5	Aurobindo Pharma	42,454
6	Cadila Healthcare	38,677
7	Glenmark Pharmaceuticals	29,047
8	Glaxo Smith Kline Pharmaceuticals Ltd	28,587
9	Divis Laboratories	24,847
10	Torrent Pharmaceuticals	22,320

Table 1

Source: Pharmaceutical industry 2015.

Sample size for the study- The top ten pharmaceutical companies have been selected. For the study, four companies selected on the basis of convenience sampling and on the availability of data. These are: Lupin pharmaceuticals, Cipla, Dr. Reddy's Laboratories, Cadila Healthcare.

#### 5.1. Lupin Pharmaceutical

The company established on 1968. In 1988, Lupin commenced Lupin human welfare & Research Foundation with the aim to provide sustainable development, education & rural development. Till the time, the efforts have touched the lives over 3100 villages & a million people in different states. The company is making excellent efforts for making India poverty free. The first step company took, adopted poor villages of remote areas. The company adopted the Bhartapur villages in Rajasthan & turned it on the new track of development. For CSR, activities the Lupin human welfare & research foundation has worked all over the world. The HWRF reaches to 208 million people out of the world. The company collaborated with Government & the state Government to work on poverty & achieved a 12% decrease from the last year. For BPL families & for economic up gradation the company provided economically support to 55,708 families by rural industries activities of the organisations operations area. Lupin Pharmaceutical, today reached to the image of producing a wide range of quality products, affordable price & APIs for the developing markets of the world. The key

areas of the foundation are: 1. Women empowerment. 2. Rural development. 3. Agriculture development. 4. Skills development. 5. Innovative interventions for making education development. 6. Waste management, resources management.

Year	Sales (million)	Profit (million)	CSR Spending
2013-14	88576.6	23973.5	14.52 (crore)
2014-15	9705.05	23243.2	126 (million)

Table 2

As per the new Companies Act, 2013 the companies have to invest 2% of three year average profits. The Lupin pharmaceutical company's three years average profit was Rs. 19817 million. According to the rule the CSR for the year ought to be Rs. 396.3 million, but it was differentiated by Rs. 270.5 million. The company undertakes the some new CSR activities to meet this difference which is Learn & earns programs, TB detection programs, to provide help natural disaster rehabilitation centres and setting up sustainable institutions.

### 5.2. Cipla

The company, one of the oldest company of India, was commenced in 1935. Cipla adopted a code of conduct for its employees, which regulates the employees to work ethically, transparent and responsible. Cipla worked on environmental management system, as per the environment policy ISO 14001. Cipla has been working on to reduce the price of rare disease like AIDS, Cancer. The company has saved 1.2 million people from different states of India. The company undertakes various measures to conserve energy, waste management. Cipla has joined the NGO's to work for the betterment of the children, to save them from ADIS/HIV & started program to save the children, cured more than 45,000 infected children. The Cipla has taken major initiative in field of research. The company has established new research centres in Pune, for the diseases of asthma, COPD, allergic diseases. The company follows the code of conduct for making operations transparent & ethical. The company provided short term loan & micro finances to farmer's association club.

Year	Sales (crore)	Profit (crore)	CSR spending
2013-14	9479.41	10556	9.98 (crore)
2014-15	10224.72	11620	13.42 (crore)

Table 3

The company invested in CSR according to new Companies Act rules. The company has taken many initiatives for society & playing active parts to make Government initiatives effective.

### 5.3. Dr. Reddy's Laboratories

The Dr. Reddy's Laboratories were established in 1984. For philanthropic activities the company established Dr. Reddy's foundation in 1996. The foundation has worked in rural development, education, hospital development, programs for youth. The foundation has been working for youth training programs under which more than 290000 students have been trained. To reach at slumps areas, the company established Yuva Youth learning centres for young generation. Dr. Reddy's foundations started SHE policy, Safety, Health, Environment. The company established DRFHE in 2002 with the aim to make people more aware regarding health issues. The company reuses the product wastage by establishing Formulation, Technical Operator, which resulted in the saving of Rs.10.8 lakh. The company joined many NGO's for the development of society as Sarthi, Abhilasha, Sanjeevani, Aakrti, Disaster preparedness workshop. The Company works for women empowerment by providing them vocational training & company employed 33% more women during the year 2013. In, the year 2014 the company started initiative program for farmer's development & 147639 farmers from different states benefited from it. The company committed to customer values & has a clear mission of safety, competency, accessibility, transparency.

Year	Sales (million)	Profit (million)	CSR spending
2013-14	94.957	19,328	198.6 (million)
2014-15	102,388	16,794	291.7 (million)

Table 4

The average earnings of the company for 2013, 2014 were Rs.19, 328 million, &Rs. 16794 million, respectively. The company invested less than 2%, but 1.03% in 2013 & 1.74% in 2014 which is near the regulations & according to the turnover.

### 5.4. Cadila Healthcare

Cadila healthcare company established in the year, 1952. The Zydus srishti the group of CSR activities has touched the all aspects of community that is education, health camps, treatment, training centres and research plants. The company planned health campaigns to educate people about various disorders of alcohols, tobacco. The company decreases their prices & made it available for people are in remote areas. The company awarded by "Shreshta Sikhsha Award" for the major contribution of the company in the education field. Across the country, the company provided safe & efficacious therapy for many chronic diseases. A Company established Akashy

Patra Foundation for hunger eradication of the remote area of the country. The company established various trust & welfare centres to help the underprivileged people by providing them education, food, health check-ups, & basic infrastructure. To fill their corporate social responsibility, the Cipla has started many foundations as Umeed foundation, which works for slumps & most ignored areas of society and as today the foundation able to reached out more than a million people from different states of the country.

Year	Sales (million)	Profit (million)	CSR spending
2013-14	43,507	9,036	150 (million)
2014-15	47,636	12,711	108.15 (million)

Table 5

The company invested 2% of their profit, 2014-15 in CSR. The Cipla has started many initiatives for social causes & that helped the company in building their brand, image and trust in society.

## 6. Conclusion

The Corporate Social Responsibility has become a major part of business strategy. CSR enhance the value of the company, build the brand image of the company and enhances the market share of the company as well. The present study, tries to analysis the status of CSR in the pharmaceutical industry. The pharmaceutical industry is the most important segment for the country's economy as well as society. In one survey, 2015 about the profit making industries in India, the pharmaceutical sector was the top most sectors in the list. It is not possible for one sector to bring out changes, keeping this in priority the Government made CSR mandatory for every company having Rs.5 crore net profits, Rs.1000 crore turnover and Rs. 500 crore net worth, need to invest 2% of average net profit of three years on CSR activities.

The pharmaceutical sector is taking initiatives for society. The companies invested required part of the profit for community and making possible efforts for the development of women, youth, rural areas, education and environment. As per the rule, invest the 2% of profit in CSR, it is also necessary to make proper disclosure of it. The study interpret that some companies are not making proper disclosure & proper disclosure as required.

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