



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 4.295

(Volume3, Issue5)

Available online at www.ijariit.com

Impact and Non- Implementation of CSR in Liquor Industries

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Abstract: *This research focuses on the implementation of Corporate Social Responsibility on liquor industries. There are many loopholes in its implementation as the sector has been a topic of debate in the past decades due to its bad impact on society and it is also been a cause of many social harms like drink and driving, accidents, domestic violence, vandalism¹ etc. Various laws and amendments have been made which mandates industries to spend a specific amount on CSR activities, therefore companies are bound to adopt CSR. The question is whether companies which are involved with alcohol policy genuinely perform this social campaigns or they are trying to cope up their negative consequences, and using these social events so that they can boost up the sale of their products. There can be many reasons and benefits which the company can obtain from CSR programs such as good reputation, an advantage over competing industries etc. but in what extent the society is getting advantages from this.*

Keywords: *Corporate Social Responsibility, Domestic Violence, Drink and Drive, Vandalism, Alcohol Consumption, and Business Ethics.*

INTRODUCTION

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales, and profits etc. On the other hand, Business Ethics are the sets of morals principles regarding what is wrong and what is right. Many philosophers consider ethics to be the “Science of Conduct”

There is a legal compulsion amended by the Company’s Law which mandates the organizations to spend their specified amount of income into CSR programs. But in order to move from theory to concrete action, it is important to analyze that what are the loopholes which are stopping CSR to work properly. There are many hindrances present which the root cause for non-effective implementation of CSR is. In order to work for the welfare of the society, it is very important to analyze those hindrances.

CSR is being considered more of an obligation rather than part of a company’s objective. Nowadays companies are using CSR as a strategy in order to promote their product or services and to hide the actual effects which are caused by them only. There are certainly many loopholes present in the implementation of CSR. By observing today’s scenario one can analyze that it is more of a process of building goodwill of the organization rather than actually serving the society. One simply cannot be ignorant of the effects just because the company is performing social events. As everyone is well aware of the fact that the main objective of any organization is the maximization of profit especially in private sectors, therefore, companies do not seem to take interest in CSR programs and when they perform social events it is because they wanted to build a reputation in order to compete with their rival company.

The Companies Act as amended in 2014, has made it mandatory for companies to spend at least 2% of their average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The concept of CSR is now firmly rooted in the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. In India, it can be observed that CSR is more of a theoretical concept rather than a practical body. A lack of understanding, inadequately trained personnel, non-availability of authentic data and specific information on the kinds of CSR activities and coverage, policy etc. further adds to the reach and effectiveness of CSR programs.

¹ Vandalism: deliberate destruction of public/private property

HISTORICAL BACKGROUND

The main focus in the 1950s was the responsibility of the organization towards the society and perform activities which could help for their well-being. In the year 1960, many social events, changes, ideas started taking place. During 1970, the managers started treating CSR as a part of the business and applied functions of management dealing with CSR. In 1980, the organization was being responsive towards their shareholders. During the 1990s, CSR was universally approved. In 2000 it became definitive an important issue.

The 2013 Companies Act for the first time mandates that private corporations join public sector firms in annual donations for Corporate Social Responsibility (CSR). All firms with a net worth above Rs 500 crore, turnover over Rs 1,000 crore, or net profit over Rs 5 crore are required under Section 135 to spend at least 2% of their annual profits (averaged over 3 years) and establish a CSR committee to oversee the spending.

How did CSR work pre-2013?

Time Period	Economic Current	State Role	Corporate CSR
1850-1914	Industrialization	Colonial, extraction	Dynastic Charity
1914-1947	Trade barriers for new industries	Colonial, exploitative	Support Freedom Struggle
1947-1960	Socialism, Protectionism	Five-year plan	Support new state; launch own rural initiatives
1960-1990	Heavy Regulation	License Raj; development failures	Corporate Trusts
1990-2013	Liberalization	Shrinking in production; expanding in social provision	Family trusts, private-public partnerships, NGO Sponsorships
2013-present	Globalization	Need to manage inequality; new reforms to liberalize further	Introduction of mandatory 2% rule.

(Figure 1.0)

OBJECTIVE OF CSR IN CONTEXT OF LIQUOR INDUSTRY

It is very important in order to analyze the current position of CSR and its impact to observe the objectives of its policy:

- **Customer satisfaction-**
Customer care and satisfaction is a top priority, regardless of the type of product or service rendered /offered. The main aim of the industries is to improve the quality of customer service, partnerships and ethical behavior in relationships with customers, transparent trade and complaint procedures and additional services offer.
- **Responsibility towards environment-**
One of the most important objectives of CSR in liquor industries is to avoid any activities which could have any negative impact on the environment. In regards to packaging, shipping, water usage (especially in the manufacturing of beer), recycling etc. By taking necessary measures and using upgraded technologies, one could prevent any action which may have any negative environmental consequences.
- **Safe working conditions for employers and workers-**
It is very important for manufacturing industries to provide their workers with a stable working condition, good job, addressing worker treatment and compensation. Continuous improvement of the organizational culture and ways of communication and interaction with employees is also within the range of their interest.
- **Active participation in community life-**
The company's very objective in CSR and Business Ethics is not only to strive to build good relationships with communities but also perform thoughtful activities which could help in the upliftment of the society.
- **Educating and informing people about the consequences of its product-**
Consumption of alcoholic beverages can lead towards social concerns such as drunk driving, alcoholism, domestic violence, and vandalism; therefore it is very important for these industries to educate its consumers and others about the same.

IMPACT OF CSR ON LIQUOR INDUSTRY

There is a wider range of alcohol policies and prevention programs aimed at minimizing the health and the social harm from alcohol consumption and there is an extensive evidence base which identifies those measures that are effective.

Now the question arises that whether CSR and ethical behavior have any positive impact on this kind of industries? Or whether it is misleading our society, and its impact is just theoretical in nature? In order to understand impact and effects of CSR, we need to discuss certain points:-

1. Impact on reputation and goodwill of the organization-

Building a reputation as a responsible business helps to give a competitive advantage to organizations. Companies often favor suppliers who have responsible policies. Godavari Biorefineries Ltd (GBL), one of the largest producers of alcohol and a pioneer in the manufacture of alcohol-based chemicals in India is an example of a company having an extraordinary position in the market. GBL has contributed significantly towards community development in and around its operational area since inception. Therefore, CSR plays a very important role in the success of any organization.

2. Helps with advertisement and marketing of the product-

Nowadays companies are adopting social activities so that they can build a better connect with their consumers. By taking social causes and using it in promoting their products has a positive impact on the sale of the product. Heineken which is considered among one of the top companies launched a program called Moderate drinkers wanted that calls on women to curb men's drinking. In some events, many companies lower the amount of alcohol content in their drinks.

3. Education and Persuasion-

A variety of educational approaches have been used with the intention of reducing alcohol-related harm and many alcohol companies don't serve the drinks to teenagers. But it doesn't seem to be very effective as drunk driving, accidents, etc. are very common among teenagers.

4. Positive press coverage-

Corporate philanthropy activities of the alcohol companies are characterized by two aspects: social outreach and sponsorship of the arts and cultural events. Social outreach encompasses activities from disaster relief charity work and sponsorships to underserved communities such as hunger and poverty charities to environmental sustainability initiatives including reduction of water use and carbon emission. From the viewpoint of the alcohol industry, corporate philanthropy is not just a strategy for brand promotion but is a tactic to enter, supply and develop local markets. Recent evidence suggests that global alcohol corporation's philanthropic² activities tend to target emerging economies with large youth populations. Fast growing markets for alcohol consumption have become popular destinations for alcohol companies to demonstrate their corporate philanthropy.

ISSUES AND CHALLENGES IN IMPLEMENTATION OF CSR

There have been arguments regarding the roles and the liabilities of organizations and firms because of their involvement in alcohol policies and because they also play a major role by exploring the relationship between alcohol, ethics³, and CSR. By analyzing, three CSR tactics have been identified which is engaged by the alcohol industries, they are closely related and tied with basic objectives of the company. First, the owners of alcohol industries use CSR as a means to give suggestions, identifying and defining the issues related to policies of the organization. This strategy is being used by the company so that they can transfer their blame from those who produce and advertise these alcoholic beverages to those who are the actual consumers. Second, the alcohol corporations promote CSR initiatives on voluntary regulation in order to delay and offset alcohol control legislation. Third, the alcohol corporations undertake philanthropic sponsorships as a means of indirect brand marketing as well as gaining preferential access to emerging alcohol markets.

Corporate Social Responsibility (CSR) is an integral element of the alcohol industry's self-representation and reputation. With advanced and renewed public awareness programs for the social harm caused by consumption of alcoholic drinks and the prospect of adverse implications on profit, as there is increase in the number of organizations competing with each other for adopting CSR policies so that they can create a better reputation than their competitor, and for portraying themselves as a good corporate citizen. Many major alcoholic organizations are connected with the consumers and the general public in social Medias and have websites which display the events and campaigns done by them, and the sites are dedicated to the CSR activities only. These include some sort of sponsorship schemes and public awareness discussions, educational campaigns, and association with the government as well as voluntary codes of practices for promoting and advertising their product. They try to showcase themselves as socially responsible individuals who care about the negative consequences of the alcohol beverages.

In its original sense, the term CSR is defined as a moral and stakeholder obligation, emanating from a notion that business is responsible to society in general and thus corporations should be answerable to those who directly or indirectly affect or are affected by a firm's activity. Whereas the overall value of the alcohol industry's CSR remains questionable, public health advocates note the fundamental contradictions between the alcohol industry's claims of responsibility and their continuing promotion of alcoholic products.

² Seeking to promote welfare of others

³ Basic moral principles

For instance, Hill views the alcohol industry's CSR as a public relations strategy which may serve to promote the global marketing of alcohol rather than addressing the health impact and risks inherent in alcoholic products. Similarly, Casswell and others contend that the primary role of industry-supported social aspect organizations is not to enhance public health but to influence decision-makers and government policy while promoting ineffective interventions. The alcohol industry's conflict of interest is so marked that today a growing body of literature takes the view that the alcohol industry takes advantage of CSR rhetoric in an attempt to achieve corporate interests. Such literature also suggests that the alcohol industry's CSR engagement is not only a mechanism for the preservation of corporate interests but a platform through which members of the industry seek to invalidate a broader public health perspective on problems associated with alcohol consumption and influence the public and policymakers

The alcohol industry's CSR activities are, in the words of Peter Anderson, "a Communication device to delay policy – and, they work"⁴

LAWS AND AMENDMENT IN CSR

India's new company act with its rules mandating CSR came into effect on 1 April 2014. According to section 135 of the law, companies of a particular size to spend a specified amount on CSR and required to inform about these activities, and if they fail to perform then they need to give a reason for the same. It has been specified in the law that companies with a net worth of Rs. 5 crores or more, or a turnover of Rs. 1000 crore or more, are required to create a CSR committee this committee generally formulate and regulate a CSR policy and supervises its implementation. The law states all the activities which come under in the context of CSR, but it does not specifies the term itself the activities are undertaken by the company to improve the conditions for their own employees or better corporate governance alone, do not qualify as CSR under the law superficially, CSR may seem like a win-win where companies improve their social capital while society gains from these activities as the government's resources are augmented. In practice, however, CSR can become one more tool for deceitful companies to circumvent the public health laws. While these laws prohibit the advertising of the products that have been proven to be harmful, companies will now be allowed, and in fact, require to publicize CSR programs that may improve their brand image.

Studies have already established that controversial industries tend to be more active in CSR communication than others. The reporting requirement contained in the CSR clause of the company's law can end up as an avenue for proxy advertising by the sin companies. This is compounded by the fact that avenues for proxy advertising and brand building are already readily available and are exploited by both tobacco and alcohol giants. Chief among them is the ability of this companies to operating multiple sectors and then leverage their businesses in other sectors to drive their liquor operations many companies make strategic choices in designing and implementing CSR agenda to reinforce their business interest and built goodwill among consumers, stakeholders, and the government.

Rule 8 of CSR rules provide that the companies upon which CSR rules are applicable on or after first April 2014 shall be required to incorporate in its board's reports and annual report on CSR containing the following particulars:

- i. A brief outline of the company's CSR policy, including an overview of projects or programs proposed to be undertaken and a reference to the web link to the CSR policy and projects or programs.
- ii. The composition of the CSR committee.
- iii. Average net profit for the company for the last three financial year.
- iv. Prescribed CSR expenditure (2% of the amount of net profit for the last 3 financial years).
- v. Details of CSR spent during the financial year.
- vi. In case the company has failed to spend the 2% of the average net profit of the last 3 years, reasons thereof.

Under section 135 of Companies Act 2013, the objectives of policies are-

- i. Establishing guideline for compliance with the provisions of Regulations to dedicate a Percentage of company's profits for social project
- ii. Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting.
- iii. Creating opportunities for employees to participate in socially responsible initiatives.

IMPLEMENTATION OF CSR POLICY

CSR is implemented in various ways:

1. The investment in CSR should be project based and for every project, time framed periodic milestones should be finalized at the outset.
2. Project activities identified under CSR are to be implemented by Specialized Agencies and generally not by the staff of the organization. Specialized agencies could be made to work singly or in tandem with other agencies.
3. Such specialized agencies would include:
 - a. Community-based organization whether formal or informal.

⁴ Sungwon Yoon and Tai- Hing Lam, The illusion of righteousness: CSR of the alcohol industry.

- b. Elected local bodies such as Panchayats.
- c. Voluntary agencies (NGOs).
- d. Institute/Academic Organizations
- e. Trusts, Missions etc.
- f. Self-help groups
- g. The government, Semi Government, and Autonomous Organizations. Standing Conference of Public Enterprise.
- h. Mahila Mandals/ Samitis and the like Contracted agencies for civil works.
- i. Professional Consultancy Organizations etc.

CONCLUSION

There has been increasing discussion recently as to the role of corporate social responsibility throughout the alcohol industry. Of course, CSR policies can and should be applied to companies throughout the private sector although my guess is that most people's first thoughts don't shoot to the beer, wine, and spirits industry. Whether policies in that arena are changing or not is yet to be seen, but there does appear to be considerably more chatter going on.

The alcohol industry's approach to CSR is not only different from other industries, as a result of its product and the product's immediate impact on society, but I think one could argue it is substantially more complex and therefore difficult to implement effectively (this is in no way letting the industry off the hook, if anything they need to work harder at achieving CSR goals). In a rather brief report, the International Center for Alcohol Policies discusses some of these issues. On the one hand, you have the normal CSR concerns for a company offering a tangible product. There are environmental concerns in regards to packaging, shipping, water usage (especially in the manufacturing of beer), recycling etc. Also not unique to the industry is the necessity of addressing worker treatment and compensation along with safety concerns and general well-being. However, as a direct result of the effects of the industries' products we have a laundry list of well-documented social concerns such as drunk driving,

Alcoholism, domestic violence, and vandalism (admittedly some can be much more easily attributed to alcohol than others).

Therefore, we can say that there has been progressing on implementation of ethical behavior and CSR policy in alcohol industries but it is more of theoretical in nature as industries adopt this policy as a long-term strategy so that they can create a good reputation.

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