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Corporate Social Responsibility - A Myth or Reality: A Study on Indian Pharmaceutical Companies

GAYATRI VISWAN¹, ANANYA K.N.², AND CHRISTY DANG³

ABSTRACT

Corporate Social Responsibility (CSR) has become an integral part of business ethics in every organization particularly in companies in pharmaceutical companies. In a country like India, it is very important for the organizations to set its agenda to promote the leading and popular trend of building the CSR policies on the basis of the concept of corporate social responsibility. The study is an attempt to observe and analyze the growing role of corporate social responsibility by studying ten major companies in the Indian pharmaceutical sector. Healthcare is one of the basic human rights of each individual in the world and pharmaceutical companies have the responsibility to take its step in ensuring that the globally there is no medical crisis. It is important to study to see the vital role every stake holder of the sector is playing to make it possible to put pharmaceutical companies to its noble front through its functioning and contribution to the society. The stakeholders of the sector ranges from patients, medical professionals, NGOs to even the media. The same shall be done through the evident proofs of their existing CSR policies within the company reports in an attempt to further bridge the gaps if any. The ultimate objective is to identify and address any existing gaps, thereby facilitating a more comprehensive understanding of the intricate interplay between pharmaceutical entities and their commitment to social responsibility.

Keywords: *Corporate social responsibility, pharmaceutical company, stakeholders, healthcare, CSR policies.*

I. INTRODUCTION

Corporate Social Responsibility has always been given prominence ever since it was introduced. This is so due to its Pro Bono nature. The main agenda of setting up the concept of Corporate Social Responsibility hereinafter called as CSR in a country like India was to inculcate the development of the nation as a whole and not just the profitable Multinational

¹ Author is a student at Symbiosis Law School, Hyderabad, India.

² Author is a student at Symbiosis Law School, Hyderabad, India.

³ Author is a student at Symbiosis Law School, Hyderabad, India.

companies. Over the time various forms of mechanisms have been development for the acceptance as well ensuing the legitimacy of its incorporation among companies. The given study emphasizes on analyzing the CSR related activities and policies with respect to the pharmaceutical sector.

We are very well aware of the importance of the pharmaceutical industries. It is a boon as well as a bane. This sector has been one among the most profitable sectors among all due its nature. The drug production within the country engages in creating a platform that elucidates upon the multiple facets of human existence, be it addition or withdrawal. Despite such factors, medicines are necessary to save multiple ailments and to reduce suffering by improving health of the mankind. And in order to ensure this, there lies a necessity for global access to medicines. It has been seen in various reports that more than 2 billion people in the world suffer from medicine crisis and die solely due to lack of access of adequate medicines that could cure them. There lies a definite lacking of medical access within the developed and underdeveloped sector. This gap between substantially widens as pharmaceutical companies aim at increasing their prices and purchasing power.

This is where the concept of CSR plays a major role within the pharmaceutical sector. There lies majority of stakeholders⁴ from various fields political administrators, media, health professionals, patients that places a varied form of pressure to the CSR activities in pharmaceutical companies. It is through the mandate of CSR that there has been the provision for easy access to medicines through various NGOs and self-help groups that provide medical assistance which are mainly funded through CSR of various pharmaceutical companies. at the same time it is not disputed that these pharmaceutical companies aim at profit maximization, increasing efficiency as well expand their global outreach. The present paper would focus upon analyzing such data in the pharmaceutical companies through statistical research and interpretation.

(A) Literature review

In order to understand the concept of CSR more efficiently with respect to the aspect of the Pharmaceutical sector, it is essential to clearly understand the relation and the relevance of CSR policies and its implementation. Various pieces of literature have been looked into by for the same.

⁴Esteban, D. "Strengthening Corporate Social Responsibility in the Pharmaceutical Industry". 8 Journal of Medical Marketing (1), 77-79, (2008).

1. The paper by Sharma⁵ elucidates the major fallacies that exist upon the whole concept of Corporate Social Responsibility. It considers CSR and its discourses that needs to be come across so as to ensure a smooth functioning of CSR activities. It also considers various contexts be it political or economic. The present paper engaged the author in understanding the concept of CSR better and provide an outlook for the same.
2. The paper⁶ written by Chris Mason and John Simmons focus mainly on the approach of the stakeholders regarding the concept of CSR. Its main approach lies in understanding the features with respect to the part owners of the company that engage in the CSR activities by that particular company. the paper focuses upon the various factors that play a role in CSR specially from the stakeholder's perspective.
3. There lies another paper by Michelle Greenwood⁷ that explicitly mentions the stakeholder engagement and the varied other mechanisms it serves. There also has been special reference to the treatment of stakeholders and their responsibility as well as uncovering the myth of corporate social responsibility through statistical methods. The primary aspect that caught the researcher's eye is the fact of encouraging social reporting within the organization as a form of corporate responsibility.
4. Bice⁸ projects the framework around which CSR revolves that mainly elaborates upon the functions and approaches that would lead to address its core challenges. It elaborates upon CSR as an institution and the obstacles to overcome in order to achieve the same. It emphasizes that a social mechanism is the key to ensure the smooth functioning of the CSR and its policies. this helps a researcher in gaining a better approach regarding CSR.
5. Sharma S. G. ⁹Focuses mainly on the whole concept of the CSR from the approach followed by the various forms of businesses be it private partnerships or MNCs. It considers the aspect of integrating the corporate philanthropy into the business strategy so as to promote its inculcation.
6. A comprehensive paper by Lee & Kohler¹⁰ that specifically considers the CSR within

⁵ Sharma, S., "Corporate Social Responsibility in India- The Emerging Discourse and Concerns", 48 *Indian Journal of Industrial Relations* 4, 582-596, (April 2013).

⁶ Mason, C., & Simmons, J., "Embedding Corporate Social Responsibility in Corporate Governance: A Stakeholder Systems Approach", 119 *Journal of Business Ethics* (1), 77-86, (2014, January).

⁷ Greenwood, M., "Stakeholder Engagement: Beyond the Myth of Corporate Responsibility" 74 *Journal of Business Ethics* (4), 315-327, (2007, September), Available at: <http://www.jstor.org/stable/25075473>

⁸ Bice, S. Corporate Social Responsibility as Institution: A Social Mechanisms Framework. *Journal Business Ethics*, 143(1), 17-34 (2017, June).

⁹ Sharma, S. G., "Corporate Social Responsibility in India: An Overview", 43 *The International Lawyer* (4), 1515-1533, (2009, Winter).

¹⁰ Lee, M., & Kohler, J., "Benchmarking and Transparency: Incentives for the Pharmaceutical Industry's Corporate

Pharmaceutical Industry and provide a foot hold with regards to its necessity. It engages in inculcating various forms of data analysis of the places where CSR activity takes place through NGOs and self-help groups that provide medical aid who is funding mainly depends upon many such pharmaceutical companies. It has conducted primary response and used hypotheses to consider the feedback with respect to CSR provisions and its effective implementation and even its own CSR practices by benchmarking CSR actions.

7. The author Klaus M. Leisinger in his paper¹¹ emphasizes upon the CSR and the reliability upon its social responsibility. The study suggests the deficits within Big Pharma companies that do not smooth functioning of its corporate social responsibility. The paper engages in providing an outlook with regards to the socio-economic aspect of CSR in the pharmaceutical industry by considering factors such as health infrastructure, development policies and health systems.
8. This paper focuses on the famous vaccine company¹² Pfizer Pharmaceuticals in a situation that focuses on its Corporate Social Responsibility campaign. this has been done through analyzing case reports and the annual reports incorporating statistical tools for deducing its efficiency with regards to achieving the CSR of the company. It also has considered the history of influence of the company's involvement with Corporate Social Responsibility.
9. Cheah, Chan, & Chieng¹³Compares and contrasts its equations with regards to Corporate Social Responsibility among the US and UK markets. This paper enabled the researcher in establishing an arena of the need for careful application of CSR in the Pharmaceutical sector owing to the nature of the substances that it manufactures. This also engages the users to be aware of the profit maximization motives of the pharma companies and product recalls of these drugs through ANOVA tests in arriving at a conclusion for the correlation.
10. This paper titled "Direct-to-Consumer Advertising of Pharmaceuticals as a Matter of

Social Responsibility", 95 *Journal of Business Ethic*, 95(4), 641-658, (2010, September).

¹¹ Leisinger, M. K., "The Corporate Social Responsibility of the Pharmaceutical Industry: Idealism without", 15 *Business Ethics Quarterly* (4), 577-594, (2005, October).

¹² Givel, M., "Modern Neoliberal Philanthropy: motivations and impact of Pfizer Pharmaceutical's corporate social responsibility campaign", 34 *Third World Quarterly*, (1), 171-182, (2013).

¹³ Cheah, T. E., Chan, W. L., & Chieng, C. L., The Corporate Social Responsibility of Pharmaceutical Product Recalls: An Empirical Examination of U.S. and U.K. Markets. 76 *Journal Of Business Ethics*, (4), 427-449, (2007, December).

Corporate Social Responsibility?”¹⁴ aims to explore a different aspect with respect to CSR. There have been several issues when it comes to addressing the CSR with respect to pharmaceutical industries. Despite being heavily regulated, how do these drugs lead to various contradictory interests specially with respect to CSR? This is the prime question that the said paper is based on which provided the researcher several aspects to consider while decoding this concept of CSR and the its reality in the pharmaceutical sector.

11. There is wide shortage of medicines around the world so what part can the companies play in emphasizing the need for the same. This paper by Leisinger K. M.¹⁵ mainly propagates the same on how corporate responsibilities affect for access to medicines. Most importantly it stresses on the aspect of the repercussions if not done so through various reports by the World Health Organization as well as methods for doing the same through creating a framework.

(B) Objectives

The research objectives are as follows:

- To understand the relationship between CSR and Pharmaceutical companies.
- To look into the relevance of CSR policies in the Companies’ Reports.
- To gain a better framework for implementing CSR activities in various pharmaceutical companies.
- To analyze each company’s CSR framework and the lacunas and positives within the several pharmaceutical companies within India.

(C) Methodology

Scope of Study: The given study has been under taken to decode the concept Corporate Social Responsibility especially within the pharmaceutical sector. The researcher would focus upon the aspects of understanding the CSR policies of pharma companies as well as the extent of implementation of these CSR policies. It would also extend to several such factors including the expenditure of CSR activities, under what circumstances do the companies make use of all the budget allocated for CSR or what do they do with the unspent CSR amounts. However, this study is with respect to its expenditure and the finding with respect to the same.

¹⁴ C., P. K., Pol, V. d., & Bakker, F. G., “Direct-to-Consumer Advertising of Pharmaceuticals as a Matter of Corporate Social Responsibility?” 94 Journal of Business Ethics, (2), 211-224, (2010, June).

¹⁵ Leisinger, K. M., “Corporate Responsibilities fir Access to Medicines. 85 Journal Of Business Ethics, (1), 3-23, (2009).

Research Design: A conclusive research design is used for the study, mixed with descriptive research using quantitative data and analyzing it using comparison from the CSR policies of various pharmaceutical companies. Data from specified period of time has been used to establish a relation between the provided terms in order to gain a more expansive sample space for interpreting the data.

Data Collection Sources: Secondary sources of data collection have been used, which include newspaper articles, research papers, journal articles, official websites, and the annual report of public sector organizations with specific reference to its CSR policies using several databases including JSTOR, Google Scholar, Scopus, Springer etc.

Methods of Analysis: The researchers have used the method of comparison between the CSR Expenditure and policies of several pharmaceutical companies in the given study. This method is considered to arrive at a better situation of understanding the reality of the way pharmaceutical companies function when it comes to their Corporate Social Responsibility.

Limitations: This study has only used specific factors which is not representative of the whole entity. The period of study is only a limited years which is not enough to determine the overall Corporate Social Responsibility mechanism of any organization. nevertheless , it has incorporated 10 distinct and prominent pharmaceutical companies as the sample space that offers constricted but better focus on each of these Pharmaceutical companies.

II. DATA ANALYSIS AND INTERPRETATION

(A) Data analysis

Corporate Social Responsibility is a major aspect of every company today. In sectors like the pharmaceutical, it is even more important that the companies understand the delicate area they are dealing with. Pharmaceutical companies need to understand that they are high concerning about medical care and human rights, unlike other sectors. Because of this reason, they should be the industry that strictly abides by the corporate social responsibility principle because one wrong move can change the result from life to death and vice-versa. Hence, it is important to understand how pharmaceutical companies are spending into CSR activities. The research will thus study the following major 10 pharmaceutical companies of India:

1. Sun Pharmaceutical Industries Ltd
2. Reddy's Laboratories Ltd
3. Divi's laboratories limited
4. Cipla

5. Aurobindo pharma
6. Torrent pharmaceuticals
7. Lupin Limited
8. Zydus Cadila healthcare
9. Abbott India
10. Alkem laboratories

1. Sun Pharmaceutical Industries Ltd

Sun Pharmaceutical Industries Ltd had a CSR expenditure of 4.37 in the financial year (hereinafter referred to as FY) 2019-2020, which increased drastically to 26.95 in 2020-21. The company focuses on eradicating hunger and poverty, preventive healthcare and sanitization, education, and other matters under corporate social responsibility. The company has initiated multiple CSR events and also formulated a proper CSR policy for the organizations under it to follow. These focused on the upliftment of the downtrodden communities in India. In FY 20219-2020, even though the prescribed CSR spending was Rs. 2.69 crore, it ended up spending almost double, which is 4.37 crore.

2. Reddy's Laboratories Ltd

Reddy's Laboratories Ltd had a CSR expenditure of 27.53 in the FY 2019-2020, which increased to 36.08 in 2020-21. The company clearly states that it focuses on specific social issues such as education, livelihood, and health. It is also to be noted that the company is known for providing affordable medicines to people. If the CSR spending of 2020-21 is to be broken down, it shall be seen that the major part went into livelihood (15.04 crore), and the least was rural development (0.06). Since this was the same year during which covid was at its peak, it has duly contributed 9.16 crore to covid relief. Section 135 of the Companies Act, it has formulated a CSR committee to look into CSR matters alone specifically.

3. Divi's laboratories limited

Divi's laboratories limited had a CSR expenditure of 29.67 in the FY 2019-2020, which increased to 34.35 in 2020-21. Apart from the general areas of focus of other companies, Divi's also focuses on heritage conservation, promotion of sports, and also contributing to central government funds. At present, the ongoing CSR expenditure majorly concerns with a contribution to Ayodhya Mandir, helping in the upgradation of the electronic training system to reduce paper consumption, contributing to dairy farming, disease prevention, etc.

4. Cipla

Cipla had a CSR expenditure of 36.31 in the FY 2019-2020, which increased to 42.82 in 2020-21. The company does not set apart specific agendas for each financial year. It generally carries out activities under corporate social responsibility under the Cipla Foundation. The foundation has credible institutions, NGOs, government agencies, etc. as a part to help it to improve and enhance its CSR activities. The company focuses on health, education, skilling, environmental sustainability, and disaster response in both India and Africa. The company works by the principle 'Caring For Life.'

5. Aurobindo pharma

Aurobindo pharma had a CSR expenditure of 48.60 in FY 2019-2020, which increased by more than 10 crores to 58.84 in 2020-21. Some of the major CSR initiatives by the company involve the Drinking Water Program, Environmental Sustainability Development, PM CARES Fund, Sports Promotion, Rural Development Program, Healthcare Infrastructure Development, etc.

6. Torrent pharmaceuticals

Torrent pharmaceuticals had a CSR expenditure of 20.36 in the FY 2019-2020, which increased by almost 15 crores to 35.22 in 2020-21. Their contribution to CSR included Shiksha Setu Program, Garden Development Program and Project REACH.

7. Lupin Limited

Lupin Limited had a CSR expenditure of 34.20 in the FY 2019-2020, which increased to 35.11 in 2020-21. Lupin Ltd also crossed its prescribed CSR budget for 2019-2020. While the prescribed budget was 23.9 crore, it ended up spending a total of 25.07 crore. During the FY, the company partnered with 32 government projects focusing mainly on sustainable livelihood, quality elementary education, and WASH (water, sanitization, and hygiene). The company also has scholarship initiative called VidyaSaarathi which is spread across 14 districts in 12 states of India. It was introduced to provide financial assistance to disadvantaged students to help them in higher education. The company also has two ART (Anti-Retroviral Therapy) centers to support people effected by HIV/AIDs through treatment and counseling. Some other CSR initiatives of the company are as follows:

- Disha, which helps farmers with agricultural production and livelihood.
- Vidya Utkarsh, which provides scholarships through VidyaSaarathi and supports other educational institutions.
- WASH, which ensures safe drinking water, sanitation and hygiene.

- Flood Relief Work, which reached out to flood-affected areas and provides them medical aid.

8. Zydus Cadila healthcare

Zydus Cadila healthcare had a CSR expenditure of 22.01 in FY 2019-2020, which increased to 27.21 in 2020-21. The company's major initiative is the construction of hospital buildings. The project has gotten an estimated amount of Rs.78.54 crores and is being carried out in the state of Gujarat.

9. Abbott India

Abbott India had a CSR expenditure of 11.64 in the FY 2019-2020, which increased to 13.88 in 2020-21. The company claims that it has been helping people lead healthier life since 1910 by introducing nutritional products and branded and quality equipment. The company contributes to STEM education and healthy living, quality and affordable healthcare, and also malaria elimination program.

10. Alkem laboratories

Alkem laboratories had a CSR expenditure of 7.41 in the FY 2019-2020, which increased drastically to 7.70 in 2020-21. The CSR arm of the company is known as the Alkem Foundation. It undertakes programs to support orphanages and old age centers, skill development programs, tree plantation, etc. The company also supported Udbhav Project, an initiative promoting menstrual hygiene in adolescent girls.

(B) Data interpretation

From the above data, it can be interpreted that every pharmaceutical company has varied responses toward corporate social responsibility. While some companies were already heavily investing in corporate social responsibility, certain others, like Sun Pharmaceuticals Ltd and Alkem Laboratories, did not go beyond 10 crores in 2019-2020. They had CSR expenditures of 4.37 crores and 7.41 crores, respectively. But when observing the change or increase the companies have shown, Sun Pharmaceuticals Ltd.'s performance is quite commendable. It almost increased by 6-7 times by 2020-21, i.e., 26.95 crores. In either of the financial years, Aurobindo pharma continues to be the first in the most CSR expenditure spend. It can thus be listed out that the following are the companies with the highest CSR expenditure in 2020-21:

1. Aurobindo Pharma
2. Cipla
3. Reddy's Laboratories

4. Lupin Limited
5. Divi's Laboratories Ltd

Apart from the numerical aspects of CSR, it also has three major factors which are part of the structure to ensure the best CSR performance. These are of the following types:

1. Social
2. Environmental
3. Economical

In the above various initiatives carried on by the companies, it can be broadly categorized under these heads. Under the social aspects, some of the initiatives taken up are educational programs, rural development, health care, etc. Projects such as tree plantation, animal welfare, agriculture, etc., are examples of environmental factors. Lastly, economic factors can be increased customers, and even the former two factors can pave the way for economic factors. When the company has reputed corporate social responsibility, the investors will be attracted more to contribute and invest in the company duly. It is, though, necessary for the company to fulfill all three categories to become a company with good corporate social responsibility. Most of the companies above have taken up on them to ensure this is fulfilled.

III. A DEDUCED OVERVIEW

(A) Findings

The study on the ten major pharmaceutical companies has helped the research find multiple observations, which has helped draw similarities and differences between various companies. It has also helped in getting a better understanding of the entire pharmaceutical industry in India. The major observations of the study are as follows:

- It is to be noted that of all the ten companies studied, every company has shown an increase in spending on CSR activities. None of them showed a decrease. This shows that pharmaceutical companies are taking the concept of CSR seriously and, year by year, giving more finance for the same.
- Most of the companies listed above follow Section 135 of the Companies Act 2013. The provision mainly deals with constituting a CSR committee and also formulating a CSR policy. For example, Dr Reddy has constituted a specific committee for CSR alone and Sun Pharmaceuticals has a properly structured CSR policy for all the organizations under it.

- Even though all the companies are working on the CSR aspects of their respective company, it is true to say that few companies amongst them have shown a high rate of interest and effort in CSR. These companies are Divi's Laboratories Ltd, Aurobindo, Cipla, Lupin Ltd, and Dr Reddy's Laboratories.
- Some companies make use of the method called technocracy in order to improve themselves. This is a method by which the companies will seek help from NGOs and government organizations to seek criticisms and help in better decision making. For example, Cipla has the Cipla Foundation, which comprises experts and professionals, government agencies, and NGOs.
- While looking into the areas of focus under CSR for the majority of companies, it was seen that most of them have generic themes. These would mostly consist of education, water and sanitation, and rural development. Since the financial years taken into consideration were the period of the pandemic, it also showed a major contribution to covid relief/ PM CARES, Fund. Even though the given companies are pharmaceutical companies, there were not much of specific and major initiatives in healthcare which provide affordable medicines alone. Very few companies such as Abbott India and Dr Reddy have given a major share to affordable medicine.

(B) Conclusion

A Corporate Social Responsibility (CSR) can be seen as a recurring phenomenon in various industries, as negative publicity is an occupational hazard for big businesses. The Pharmaceutical industry is no exception, as corporate social responsibility (CSR) has taken on a new earnestness and appeal. The introduction of initiatives to foster the access to medications has been the focal point of CSR undertaken by such companies. Such initiatives create valuable business opportunities as there is a shift of revenue sources towards emerging markets. Through commercial activities and CSR programmes, pharmaceutical companies can develop innovative business solutions that can reach both of those markets in different ways but provide access in both cases. However, various reports on Corporate Social Responsibility and how pharmaceutical companies contribute to CSR in the FY 2019-2020 and FY 2020-21 found a rapid increase in expenditure post the Covid-19 pandemic. There was an urgent need for medical equipment and supplies, and as a result, these companies observed a tremendous increase in the manufacture of medicines. The pandemic was also a great example of the shortcomings of pharmaceutical companies, which still lack in certain aspects with respect to not fulfilling their primary objective of providing better medical facilities to the citizens but rather focusing on

other goals such as satisfying their personal motives under the guise of social causes.

(C) Suggestions

As a result, it is imperative for companies to adhere to CSR guidelines while fulfilling their duties, as its advantages can be numerous. CSR has the potential to drastically improve the public image of the company. It can also help in attracting and retaining talent. It is also crucial as there is increasing awareness among employees about the public perception of the companies they work at. It can also foster goodwill and increase access in developing markets. Despite these benefits, there needs to be stringent action against defaulters in order to ensure the welfare of society.

IV. APPENDICES

CSR expenditure of pharma companies in the financial years 2019-202 and 2020-21

PHARMA COMPANY	CSR EXPENDITURE IN 2019-2020 (in crore rupees)	CSR EXPENDITURE IN 2020-21(in crore rupees)
Sun Pharmaceutical Industries Ltd	4.37	26.95
Reddy's Laboratories Ltd	27.53	36.08
Divi's laboratories limited	29.67	34.35
Cipla	36.31	42.82
Aurobindo pharma	48.60	58.84
Torrent pharmaceuticals	20.36	25.22
Lupin Limited	34.20	35.11
Zydus Cadila healthcare	22.01	27.21
Abbott India	11.64	13.88
Alkem laboratories	7.41	7.70

Source: <https://csrbox.org/>

Dr. Reddy's breakdown of 2010-21 CSR expenditure

Sector	Amount spent (in Rs cr.)
Education	9.70

Livelihood	15.04
Health	1.62
Rural development	0.06
Covid relief	9.16
Total	35.58

Source: <https://thecsr.universe.com/>
