

## Corporate Social Responsibility: An Indian Perspective

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### Abstract

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*Corporate Social Responsibility is now accepted as a means to achieve sustainable development of an organization. Hence, it needs to be accepted as an organizational objective. According to New Company Law, 2012 corporates must contribute 2% of their net profits towards CSR which made Indian companies to consciously work towards CSR, as it required a prescribed class of companies to spend a portion of their profits on CSR activities. Any contribution towards welfare of society is called as . Corporates can no longer limit themselves in using resources of society and they have to be socially responsible corporate citizens and must also contribute to the social good. The main aim behind this study is to see why CSR is vital for Corporation? Why should they contribute for Country's Economic Development? and What are the Important steps Government should take to improve contribution of corporate for CSR activities? As we know, today Indian corporates go beyond Philanthropy (Charity) concept and its more concentrate on all the stakeholder. The present research paper attempts to analyse several such aspects of the new CSR law in the context of modern corporate philosophy and also drawing attention of the government authorities towards practical difficulties in the implementation of the new provisions.*

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**Key words:** Corporate Social Responsibility, Philanthropy, Department of Public Enterprise, Special Purpose Vehicle

### Introduction

The evolution of CSR in India refers to changes over time in India of the cultural norms of coporates engaged in CSR activities. Businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives while at the same time addressing the expectations of shareholders and stakeholders. Anything that is beneficial for the society can be called CSR and such activity must be shown by company on their website and company should take approval from board.

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CSR is an important element of development because companies need to look after their communities, particularly those that are operating in rural areas. But, CSR also has an environmental aspect that the business might influence based on their operation. Many companies might have motivations for doing CSR such as the genuine care of their environment and society that would eventually become their source of human capital as well as raw materials that they need to sustain. Also, some companies will see it as an important element of gaining societal acceptance for their operations. It is really true for the companies that are operating in remote areas, like mining and oil and gas companies. They are often encountered by many communities that indigenously live there, and the companies have to live with these communities. Another aspect on CSR is that companies should see it as a voluntary action rather than something that is highly regulated. Because it is something that is good for the company to do, it's not something that the company has to do because of law or anything else. On the other hand, companies should not be really forced to do CSR as mandatory action, because again, the development players are not just companies. It also includes government as well as civil society and the community itself.

### **Data and Methodology**

The data of this study is secondary data which we have collected from different sources such as official websites of department Corporate Affairs minister, Newspaper Articles, Research Papers and Magazine Articles. As we know the traditional perspective stressed on Corporate Philanthropy which means charity for Social, Cultural and Religious purposes and Modern Perspective stressed on long term interest of stakeholders and sustainable development. The main aim behind this study is to see why is vital for Corporation? Why should they contribute for Country's Economic Development? and What are the Important steps Government should take to improve contribution of corporate for CSR activities?

We have examined the data from various sources and analyzed the same. We have not used any statistical tools and techniques because we are not trying to establish any relationship between different variables rather through discussions and analytical thinking we tried to see how our country has changed its policy over the period of time and what are the result of these policies are.

### **Policy in India**

Under the Companies Act, 2013, that replaces the nearly six-decade old legislation governing the way corporate function and are regulated in India, profitable companies with a sizeable business would have to spend every year at least 2 per cent of three-year average profit on CSR works. This would apply to the companies with a turnover of Rs 1,000 crore and or more, or net worth of Rs 500 crore and more, or net profit of Rs 5 crore and more. As per new proposals, from the beginning of 2013-14, Top earning PSUs like ONGC, BHEL and NTPC may have to double their expenditure on CSR as per the new draft guidelines being finalised by the Department of Public Enterprises (DPE). PSUs with net profit between Rs 100-500 crore are required to earmark 2-3% of their income. They have to ensure that they spend full amount earmarked for , otherwise, they have to disclose why they have not spent these fund. Public sector companies with a profit of less than Rs 100 crore are required to contribute 3% of their income for undertaking such activities.

The proposed guidelines stated that if Public Sector Units (PSU's) are unable to spend the earmarked amount for CSR in a particular year, it has to be spent in the next two years. The guidelines continue to exempt sick and loss-making PSUs from allocation of budget for undertaking CSR activities.

### **Stipulation of the Company Bill, 2012**

Every company with net worth of Rs 500 crore or more, or turnover of Rs 1,000 crore or more or a net profit of Rs 5 crore or more during any financial year to constitute a CSR Committee of the Board consisting of three or more directors, of which at least one director shall be an independent director. The Board's report to disclose the composition of the CSR Committee.

The main functions of the CSR Committee are:

- Formulate and recommend to the board, a CSR policy indicating the activity or activities to be undertaken by the company as specified in Schedule VII of the Act.
- Recommend the amount to be spent on these activities.
- Monitor the company's CSR policy periodically.

After the CSR Committee makes its recommendations, Board of the company shall approve the CSR Policy and disclose contents of such policy in its report and also place it on the company's website. Further, details about the policy developed and implemented by the company on CSR initiatives during the year to be included in the Board's report every year.

Board to ensure that the activities listed in the CSR Policy are undertaken by the company. Board to ensure that at least 2% of average net profits of the company in the three immediately preceding financial years are spent in every financial year on such activity. Preference to be given to the local area and areas around the company operates for CSR spending. If a company fails to provide or spend such amount, Board to specify reasons in its report for that failure. Companies required to comply with CSR shall give additional Information by way of notes to the Statement of Profit and Loss about the aggregate expenditure on CSR activities. Schedule VII of the Companies Bill 2012 prescribes activities that may be included by companies in their CSR policies:

- Eradicating extreme hunger and poverty;
- Promotion of education;
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health;
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability;
- Employment enhancing vocational skills;
- Social business projects;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and;
- Other matters as may be prescribed.

Sachin pilot, Corporate Affairs Minister has said there would also be a national level CSR body to monitor the activities. So that Central Govt is planning to have a Special Purpose Vehicle to monitor spending of CSR Fund and Projects. Govt want that there should be full utilisation of CSR fund.

### **Effects of CSR**

- The contribution of CSR is not to contribute in one sector of society only rather to help businesses and to nurture the society over a period of time. Company can contribute under CSR in any of the sector (Education, Health, Environment, Upliftment for the society etc.) which they like most and which is beneficial for the organization point of view.
- Corporations should participate effectively and efficiently for CSR contribution as corporations are involved with numbers' of stakeholders like customers, employees, suppliers, government, creditor, financial institutions, etc. so they have the responsibility to take care of the interest of all the stakeholders for their own sustainable growth.
- Every Corporation must take initiatives for CSR practices to make this planet a better place to live and not just this, it will also help corporations to build their goodwill.
- Corporations can differentiate themselves from their rivals by taking CSR initiatives.
- Company can take CSR as an opportunity and a platform for growth and survive.

- 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, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.
- Neither central government nor state government can tell corporate how to spend money towards welfare for society. The decision rest on board how money spend in various CSR activity.

### **Limitation of CSR Policy**

- No incentive if company pay more than 2% of net profit.
- Carry forward of such an contribution not being mentioned under the provision of CSR. It means if any of the company not able to spend 2% of average profit in any financial year so that expenditure not being carry forward for next year.
- Company does not have adequate profits or is not in a position to spend prescribed amount on CSR activities, the directors would be required to give suitable disclosure/reasons in their report to the members.
- It is not clear whether the Section 25 companies or charitable organisations set up by them would be included towards CSR.
- According to the proposed rules, activities relating to eradicating extreme hunger and poverty; promotion of education, gender equality and empowerment of women; reducing child mortality and improving maternal health; combating HIV-AIDS, malaria and other diseases; ensuring environmental sustainability, employment enhancing vocational skills; and contribution to the Prime Minister's National Relief Fund or any other Central or state fund would be considered as CSR activity under the Act.

### **Review of Literature**

- According to Geoffrey heal suggested that CSR is an important part of corporate strategy in sectors where inconsistencies arise between corporate profit and social goals, or discord can arise over fairness issues. There are number of social sectors where corporate can play a valuable role under CSR and can produce social goods for its society. According to him CSR program can be profitable element for company strategy, reducing risk management, Generating brand equity, improving relations with regulators, lower cost of capital, improved human relation and employee productivity and to the maintenance of relationship that are important to long term profitability.
- According to Anupam Sharma And Ravi Kiran, them CSR is emerging as a new field in the management research. In India, many firms have taken the initiatives of CSR practices which have met with varying needs of society. According to him number of IT and Auto industry is more going for taking up CSR initiatives while FMCG sector. Authors said that India has entered or taken a transformational change by involving into new CSR initiatives.
- According to Kishor Neelakantan, the enactment of the company act 2013 will create a big regulatory push for CSR activities and this is mandatory for all company operating in India. so it is good for economic development but how Shareholder think about it while evaluating company? So according to author suggests that framework for investors to evaluate companies' CSR efforts which is based on four key parameters- Integrity, strategic orientation, efficiency and transparency.

- According to Rahul Hakhu company should be forward looking to adopt in their corporate policy and take initiative for applying this in the business so that they can achieve competitive advantage, profitability in the light of liberalized world. He emphasis that government want that corporation should be more responsible for the economic development of country, and growth of CSR lead to transformation of agrarian economy to the path of industrialization. He suggested that CSR provides valuable information to companies of India and other stakeholders about the prospect of development, reputation.

#### **Existing CSR Activities of some companies**

- ONGC 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.
- SAIL has taken successful actions in environment conservation, health and medical care, education, self employment programmers, sports and games etc.
- BHEL has developed a CSR scheme and its mission statement on CSR is "Be a committed Corporate Citizen, alive towards its CSR". BHEL undertakes socio economic and community development programmes to promote education, improvement of living conditions and hygiene in villages .
- 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. this project has also creating awareness about the compelling need for eye donation
- 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. It also contribute under Mahindra Hariyali, Mahindra pride school, Mahindra Education Trust. under Mahindra Hariyali, over one million trees have been planted across the country, to increase the country green cover.
- Tata consultancy services is India's largest software service company and has won the Asian CSR award for initiating community development work and implementing various programs and devoting leadership and sincerity as ongoing commitment in incorporating ethical values. Major focus of the company is on education sector. Company is working upon literacy program that cares TCS designed computer based literacy model to teach adults and this program is known as a adult literacy program. Company also working upon environment policy and has been developing environment friendly products and services.
- Infosys: As a leading software company Infosys is into the providing language and computer education. Company has special program for unprivileged children by which company teaches them various skills and change their outlook too. Company also donates carom, chess board, chocolates etc. to the needy ones.CSR activity includes Blood donation camp and infosys foundation has been working in the sectors of health care, education, environment preservation and social rehabilitation.
- Wipro : Company has taken various initiatives to women empowerment. Three main CSR activities include environment sector, education sector and energy conservation.
- ITC: ITC Limited (ITC) is among one of India's leading private sector companies having a assorted portfolio of businesses. ITC is working with the concept of 'Triple bottom line' that will contribute to the growth of economy, environment and social development. Major focus area of the company is on raising agricultural productivity and helping the rural economy to be more socially inclusive.
- Maruti Suzuki a automobile industry works upon global warming and global issues like climate change Company has been strongly investing on environmental friendly products and manufacturing best products for the society. Maruti Suzuki is working upon conserving environment and preserving natural environment. Concept of reduce, reuse and recycle has been promoted by company in all the manufacturing units.

- Gail Ltd is largest state owned natural gas processing and distribution company. It contribute towards corpus of GAIL charitable and education trust, natural calamities or disaster, sc/st minorities population. Its objective to satisfy all of its stakeholder. It participate in an activity which is directly or indirectly benefit the communities. it enhance the quality of life and economic well being of local population.
- IBM is a software company. Company is committed towards the implementation of its environment policy, health services, provide hygiene and safety work place to its employee.

### ***Conclusion***

From the limited experience over the last few years, some lessons nonetheless emerge. Government introduce CSR because they wants corporation to become more responsible for the society or for its stakeholders itself. As we know, CSR offer real opportunities for the corporations to contribute in various activities which directly or indirectly help welfare of the society. Corporations are social entity so they must take care of all stakeholders, it is vital for them to take charge of this responsibility in efficient way so that all participant of corporation feel satisfied. As we know corporates can't stand alone they also needs the support of their society at large which is important for their development and goodwill. Many large corporations now taking steps to improve their environmental and social performance through the use of voluntary initiatives such as codes of conduct, environmental certification and reporting, social audits, fair trading schemes and social investment programmes. Corporates and government must work together and through this, they can bring dramatical changes in the welfare schemes of society.

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