

# Going Beyond Business: A Study of Corporate Social Responsibility in India

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## Abstract

*Corporate Social Responsibility (CSR) is a much discussed topic in present times. Gone are the days when we believed that the only motive of businesses is to make profits and the corporation is responsible only towards its shareholders. The current trend of globalization has made the firms realize that in order to compete effectively in a competitive environment they need clearly defined business practices with the sound focus on public interest and welfare of society at large. CSR refers to the way that businesses are managed to bring about an overall positive impact on the communities, societies and environments in which they operate. Therefore, CSR is now being accepted as one of the organizational objectives of businesses. Government is also advocating mandatory allocation of a certain percentage of the corporation's earnings for CSR activities and its reflection in their Annual reports.*

**Keywords:** Corporate Social Responsibility, Welfare, Society, public interest, Mandatory

## Introduction

The term CSR may be relatively new to India but the concept of Corporate Social Responsibility (CSR) in India dates back to ancient times where CSR was informally practiced in form of charity to the poor and disadvantaged. Although the core function of business was to create wealth for society and was based on an economic structure, the business community with their rulers believed in the philosophy of “Sarva loka hitam” which means “the well-being of all stakeholders. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (education, research and cultural) to community development and community empowerment through various projects.

The Concept of CSR has evolved so much in last few decades that there exists a problem of lack of comprehensive definition of CSR. However, World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as the ‘The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.’ Indian society is witnessing a market in rapid transition, characterized by a growing degree of liberalization, privatization and globalization. With the growing power and authority vested with the corporations, business houses are now answerable for a wider range of issues and are held responsible for their actions to a multiple level of stakeholders. The current trend of globalization has made the firms realize that in order to compete effectively in a competitive environment they need clearly defined business practices with the sound focus on public interest and welfare of society at large.

### **CSR Policy-Core Elements**

A CSR policy should normally cover these elements

- Care for all Stakeholders
- Ethical Functioning
- Respect for Workers Rights and Welfare
- Respect for Human Rights
- Respect for Environment
- Activities for Social and Inclusive Development

### **Objective of the Study**

- To study the CSR status in India
- To study the policies governing CSR in India
- To Study the benefits of a robust CSR programme
- To list the challenges faced by CSR in India.

### **Research Methodology**

The research paper is an attempt of exploratory research based on the secondary data sourced from journals, magazines, and news articles. Several books and websites were also referred to. Looking into the requirements of objective of study the research design employed for the study is of descriptive type.

## Evolution of CSR in India – The Four Phases

CSR has evolved in phases like community engagement, environmentally responsible production, and socially responsible employee relations. Therefore, the history of Corporate Social responsibility in India can be studied in different phases.

The first phase of CSR was led by noble acts of philanthropist's. Till 1850, the wealthy business class distributed their wealth with the society by either by building temples or religious institutions. In the Pre-independence era, the pioneers of industrialization also supported the concept of CSR. In 1900s, the industrialist families like Tata's, Birla's, Modes, Godrej, Bajaj's and Singhanias promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development.

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man Mahatma Gandhi urged to the wealthy corporates to share their riches for the benefit of underprivileged and backward sections of the society. He influenced the industrialists and business houses to build trusts for colleges, research centres and training institutes.

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. This paved the way for enactment of legislation regarding corporate governance, labour and environmental issues. Still the PSUs did not prove to be successful. Therefore there was a gradual shift of expectation from the public to the private sector and their active involvement in the socio-economic growth.

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business. With globalization and economic liberalization in 1990s, and partial withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the increased momentum in industrial growth, making it possible for the companies to contribute more towards social responsibility.

In the current scenario in India, the new companies act amended in December 2012 mandates the corporate to spend 2% of their average net profits of the last three financial years towards CSR. This is applicable for companies with a turnover of 1000 Cr/ PAT of 5 Cr/ or net worth of 500 cr. The new bill replaces the Companies act 1956 and emphasizes carrying forward the agenda of Corporate Social Responsibility.

## Corporate Social Responsibility as Per New Indian Companies Act

Many big companies have been actively engaged in the CSR activities but unfortunately the number is relatively less. In order to encourage more companies to participate in the process of development of the society via- CSR, the Government of India has actually implemented the concept of CSR in the new Companies Act 2013, On 27<sup>th</sup> February, 2014, the Government of India has notified the rules for CSR spending u/s 135 of the New Companies Act 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 effective from 1<sup>st</sup> April 2014. Turning the CSR from voluntary activities to the mandated responsibilities, also governed by the bundle of regulations as follows:

### Eligibility Criteria:

Company (includes foreign company with branches or project in India) having:

- Minimum net worth of rupees 500 Crore.
- Turnover up to "1000 Crore"
- having a net profit of at least '5crore'.during any financial year, are covered by this provision

### **Brief on CSR Activities as prescribed under Schedule VII of Companies Act**

1. Objective to efface the daily life segments including poverty,

malnutrition and hunger while enhancing the standard of living and promoting the facets of better health care and sanitation.

2. Initiative to promote the different segments of education including special education and programs to enhance the vocation skills for all ages like children, women, elderly and conducting other livelihood enhancement projects.
3. Aim to bring the uniformity in respect of different sections of the society to promote gender equality and other facilities for senior citizens and developing hostels for women and orphans and taking initiative for empowering women and lowering inequalities faced by socially and economically backward groups.
4. Elevate the segment of flora and fauna to bring the ecological balance and environmental sustainability in respect of animal welfare, conservation of natural resources and agro forestry while maintaining the quality of air, water and soil.
5. Enhancement of Craftsmanship while protecting art and culture and measures to restore sites of historical importance and national heritage and promoting the works of art and setting up of public libraries.

6. Steps to bring worthy to the part of war windows, armed force veterans and their departments.
7. Sports programs and training sessions to enhance the level of rural sports, nationally recognized sports and Olympics sports.
8. Favouring to Prime Minister's National Relief Fund and contribution to other fund set up by the central government to promote socio-economic development and welfare of the schedule castes and Schedule Tribes and for supporting backward classes, minorities and women.
9. To uplift the technology of incubator that's comes under academic institutions and which are approved by the Central Government.
10. Introducing varied projects for Rural Development.

#### Yearly Compliances:-

1. The Annual Report of the Company shall include a comprehensive Report on CSR in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014, containing particulars on Overview of CSR Policy, Composition of the Committee, Avg. Net Profit, prescribed expenditure and details of its spending, reason in case of failure etc.

2. The disclosure on CSR in Board Report should also be available on the Company's Website.
3. The activities included in the CSR Policy and the prescribed expenditure being undertaken/ spent shall be ensured by the Board, in the respective manner.

#### CSR AND INDIAN ENTITIES

A large number of Indian companies are pursuing CSR initiatives religiously with their basic aim being to empower the communities and contribute to the betterment of our society. Times of India reported that a significant amount of the total CSR spend by the **Tata Group** has gone into skill development, health and education, with **Tata Steel** emerging as the biggest spender within the group. In what could be the highest CSR spend by an Indian conglomerate, the Tata Group spent Rs 1,000 crore on corporate social responsibility (CSR) in 2013-14. If one were to exclude the salt-to-software enterprise's philanthropic trusts, the Tata Group companies spent Rs 660 crore on CSR in the just ended fiscal. The diversified Indian multinational's CSR spend was well above 2% of its net profit, a minimum requirement for an Indian company under the Companies Act.

Among other Indian conglomerates, the \$40-billion Aditya **Birla Group** spent Rs 200 crore on CSR in fiscal 2014, which is a little over 2% of the net profit from India. The Aditya Birla Group, which has a presence in cement, telecom, carbon black and financial services, spent Rs 150 crore on

CSR in 2012-13. The CSR spend has risen in 2013-14 with growth in profits. The group's CSR initiatives are led by Aditya Birla Centre for Community Initiatives and Rural Development.

The **Godrej** Group is also among conglomerates that run their philanthropic activities through trusts. About 25% of the shares of the Godrej Group's holding company Godrej & Boyce are held in a trust that supports initiatives in education, healthcare and environmental sustainability. Apart from the trust, Godrej Group companies spent around Rs 18 crore on CSR under the 'Good and Green' initiative, which is more than 2% of the profits.

**Dabber's** CSR initiatives are driven through Sustainable Development Society or SUNDESH, an outcome of the vision of Dabber India Ltd founder Rd. S.K Burman. Sustainable Development Society (SUNDESH) is sworn to the mission of ensuring overall socio-economic development of the rural & urban poor on a sustainable basis, through different participatory and need-based initiatives. It aims to reach out to more vulnerable sections of society such as women and children

**ONGC** (Oil and Natural Gas Corporation Ltd): The 2009 CSR guidelines define ONGC's role on corporate social responsibility emphasizing transformation of the organization from "Philanthropy" to "stakeholder participation". ONGC which has been given the status of a 'maharatna' by the government will be striving to get the

same status in Corporate Social Responsibility Its CSR focus areas are: Education including vocational courses, Health Care, Environment protection, ecological conservation, promotion, Women's empowerment, girl child development, gender sensitive projects, Promoting sports/sports persons; supporting agencies promoting sports/sports persons.

**Wipro** Cares engages with communities in proximate locations. The primary objectives of Wipro Cares are to support the developmental needs of marginalized communities in cities and towns where Wipro has a large presence. They have four core areas of work - education, health care, environment and disaster rehabilitation. Wipro has initiated 'Applying Thought in Schools' to help in societal change and development. The intent of this initiative is to improve the quality of education in schools.

### **Benefits of a CSR programme**

As the business environment gets increasingly complex and stakeholders become vocal about their expectations, good CSR practices can bring in greater benefits some of which are as follows:

#### **Attracting and retaining employees:**

Several human resource studies have linked a company's ability to attract, retain and motivate employees with their CSR commitments. Interventions that enable and encourage employees to participate are shown to increase employee morale and a sense of belonging to the company.



**Enhancing Corporate reputation:** The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate citizens.

**Communities as Suppliers:** There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into the supply chain. This has benefitted communities and increased their income levels while providing these companies with an additional and secure supply chain.

### Challenges of CSR in India

In India, the CSR managers face a number of challenges in managing CSR activities. The biggest problem is lack of budget allocation, lack of knowledge in this field and lack of professionalism.

Small Companies do not take adequate interest in CSR activities and those who undertake fail to disclose it to the society. Many businesses think that corporate social responsibility is a peripheral issue for their business and customer satisfaction is more important for them.

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there is little or no knowledge about such CSR initiatives. The situation is further aggravated

by lack of communication between the company and people of the community.

Another challenge faced by the company is that there exists lack of transparency on the part of local implementing agencies as they do not take adequate efforts to disclose information on the programs, audit related issues and utilization of funds.

It is also observed that there is non-availability of well-organized non-governmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities.

### Conclusion

Across the globe the concept of CSR is being accepted as an ingredient for survival and success of business along with fulfilling social objectives. Business houses all around the world are realizing their stake in society and engaging in different social and environmental activities. Reports confirm that CSR nowadays not only influence company's brand image and reputation but also affects its financial performance's in India has mainly meant philanthropy. There is a need to enhance the understanding and active participation of businesses in equitable social development as an integral part of good business practice. The Companies bill is a good and timely initiative by Government of India. However, now the challenge is for the corporations to design a strong and innovative CSR strategy which can deliver excellence in ethical, environmental and

social issues along with meeting the interests of all the stakeholders of business.

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