



Corporate Social responsibility and Businesses in India: An Overview

Dr. Manoj Kumar Singh

MBA(mktg), UGC-NET, Ph.D

Assistant Professor

L.N.Mishra College of Business Management, Muzaffarpur

Abstract

The term “Corporate Social Responsibility” became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly constructed. Actually, CSR refers to a business practice that involves participating in initiatives that benefit society. But now a days, CSR is a highly misunderstood and misinterpreted term in India. Some Indian corporate companies believe that merely complying with laws and regulations fulfill their need for social responsibility. A responsible corporate recognizes that its activities have wider impact on the society in which it operates. Therefore, it takes account of the economic, social, environmental and human rights impact of its activities on all the stakeholders. Although India is a favourable business destination for western investors. It is to be tremendously challenging for any business to remain competitive here in the long term. Unless poor people have equity in the growth of economy, India can never be a “Super Economy”. Here comes the critical role of corporations. CSR is one such niche area of corporates and governance that needs to get aggressively addressed and implemented considerably in the organisations. At the same time, CSR is one effective tool that synergizes the efforts of corporate and the social sector agencies towards sustainable growth and development of the social objectives at large.

Introduction

Corporate Social Responsibility ‘CSR’, also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation integrated into a business model. CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business

would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public spheres. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision making, and the honouring of people and profit.

Corporate Social Responsibility in India

All the Business houses and corporates have been taking up social welfare activities from time to time. While CSR is relevant in business for all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society, make the process of sustainable development more challenging. CSR interventions based on commitment, mobilization of employees-voluntarism, innovative approaches, appropriate technology and continuing partnership have been making lasting differences in the life of the disadvantaged. Further, synergy of corporate action with the government and the civil society are making effective and facilitating the corporate carrying on business in the society.

Companies Act, 2013

India's new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian Corporate Business. One of such provision is Corporate Social Responsibility. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. By performing the task of CSR activities, the companies are giving something back to the society. Ministry of Corporate Affairs has recently notified Section 135 and Schedule 7 of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy Rules, 2014 (CSR Rules) which has come into effect from April 1, 2014.

Applicability: Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company to a company i.e (a) net worth of the company to be Rs. 500 crores or more. (b) turnover of the company to be Rs. 1000 crores or more. (c) net profit of the company to be re. As per the CSR, the provisions of CSR are not only applicable to branch project offices of a foreign company in India.

CSR Committees and policy: Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. Further, the qualifying company will be required to constitute a committee shall formulate and record the board, a policy which shall indicate the activities to be undertaken

(CSR) Policy ,recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR policy of the company shall take into account the recommendations made by the CSR Committee approve the CSR policy of the company.

Definition of the term CSR: The term CSR has been defined under the CSR rules which includes but is not limited to

- Projects or programmes relating to activities specified in the Schedule
- Projects or programmes relating to activities undertaken by the board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significances as it allows companies to engage in projects or programmes relating to activities enlisted under the Schedule.Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

Activities under CSR: The activities that can be done by the company to achieve its CSR obligations include 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' National Relief Fund or any other fund set up by the central Government or the State Governments for socio-economic development and relief funds for the welfare of the Scheduled Castes,the Scheduled Tribes,other backward classes,minorities and women and other matters as may be prescribed.

Local Area Under the Companies Act , preference should be given to local areas and the areas where the company operates.Company may also choose to associate with two or more companies for fulfilling the CSR activities provided that they are able to report individually.The CSR Committee shall also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken,prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create share value.

The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial year and also prescribed CSR

expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reason in the board report for non compliance so that there are no penal provisions are attracted by it.

India is the first country in the world to make corporate social responsibility(CSR) mandatory ,following an amendment to the Company Act, 2013 in April 2014.Businesses can invest thier profits in areas such as education ,povrty , gender equality and hunger.

The amendment notified in the Schedule 7 of the Companies Act advocates that those companiies with a net worth of US \$ 73 million (Rs.4.96 billion) or more,or an annual turnover of US \$ 146 million (Rs 9.92 billion) or more ,or net profit US \$ 732,654(Rs 50) or more during a financial year,shall earmark 2 percent of average netr profits of three years towards CSR.In the draft Companies Bill,2009,the CSR clause was voluntary,through it was mandatory for for companies to diosclose thier CSR spendingto Shareholders.it is also mandatory that company boards should have atleast one female member.

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- Projects related to activities taken by the company board as recommended by the CSR Committee,provided those activities cover items listed in the Schedule.

Corporate Social Responsibility examples in India

Tata Group

The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programmes.Through self help groups,it is engaged in women empowerment activities ,income generation,rural community development , and other social welfare programmes. In the field of education , the Tata Group provides scholarship and and endowments for numerous institutions.

The group also engages in healthcare projects such as facilitation of child education ,immunization and creation of awareness af AIDS.Other areas include economic empowerments through agriculture programs,environment protection,providing sport schlorships,and infrastrcure development such as hospitals,research centres,educational institutions,sport academy and cultural centres.

Ultratech Cement

Ultratec Cement, India's biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare and sustainable livelihood.

The company has organised medical camps, immunization programmes, sanitization programmes, school enrollment, plantation drives, water conservation programmes, industrial training and organic farming programmes.

Mahindra & Mahindra

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Indian automobile manufacturer Mahindra & Mahindra established the K.C Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company primarily focuses on education programmes to assist economically and socially disadvantaged communities. CSR programmes invest in scholarship and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programmes. M& M runs programmes such as Nanhi Kali focussing on girl education, Mahindra Pride School for industrial training, and Lifeline Express for healthcare service in remote areas.

ITC Group

ITC Group, a conglomerate with business interests across hotels, FMCG, agriculture, IT, and packaging sectors has been focussing on creating sustainable livelihood and environment protection. The company has been able to generate sustainable livelihood opportunities for six million people through its CSR activities. Their e-Choupal program, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers. Its social and farm forestry program assists farmers in converting wasteland to pulpwood plantations. Social empowerment programs through micro-enterprises or loans have created sustainable livelihood for over 40,000 rural women.

Methodology of Corporate Social Responsibility

CSR is the procedure of assessing an organisation's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business-

- Customers
- Suppliers
- Environment
- Communities

- Employees

The most effective CSR plans ensure that while organisations comply with legislation, their investments also respect the growth and development of marginalised communities and the environment. CSR should also be sustainable – involving activities that an organisation can uphold without negatively affecting their business goals.

Organisations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes. It has become progressively projected in the Indian corporate setting because organisations have recognised that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large. Companies now have specific departments and teams that develop specific policies, strategies, and goals for their CSR programmes and set separate budgets to support them. Most of the time, these programmes are based on well-defined social beliefs or are carefully aligned with the companies' business domain.

CSR Trends in India

FY 2015-16 witnessed a 28 percent growth in CSR spending in comparison to the previous year. Listed companies in India spent US \$1.23 BILLION (Rs. 83.45 billion) in various programmes ranging from educational programmes, skill development, social welfare, healthcare and environment conservation. The Prime Minister's Relief Fund saw an increase of 418 percent to US \$ 103 MILLION (Rs. 7.01 billion) in comparison to US\$24.5 MILLION (Rs. 1.68 billion) in 2014-15.

The education sector received the maximum funding of US\$300 million (Rs. 20.42 billion) followed by healthcare at US\$240.88 MILLION (Rs. 16.38 billion), while programmes such as child mortality, maternal health, gender equality, and social projects saw negligible spend. In terms of absolute spending, Reliance Industries spent the most followed by the government-owned National Thermal Power Corporation (NTPC) and Natural Gas (ONGC). Projects implemented through foundations have gone up from 99 in FY 15 to 153 in FY 16 with an increasing number of companies setting up their own foundations rather than working with existing non-profits to have more control over their CSR spending. 2017 CSR spends are predicted to further rise with corporates aligning their initiatives with government programmes such as Swachh Bharat (Clean India) and Digital India to foster inclusive growth.

Corporate social responsibility (CSR) PROMOTES A Vision of vision of business accountability to a wide range of stakeholders and investors. Key areas of concern are environment protection and the wellbeing of employees, the communities and civil society in general, both now and in the future.

The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

Some of the drivers pushing business towards CSR include-

1. The shrinking role of government : in the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.
2. Demands for greater disclosure: There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors and activist organisations.
3. Increased customer interest: There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.
4. Growing investor pressure: Investors are changing the way they assess companies performance and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks.
5. Competitive labour markets: Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

6. Suppliers relations: As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include

1. company benefits

- Improved financial performance
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Greater productivity and quality
- More ability to attract and retain employees
- Reduced regulatory oversight
- Access to capital
- Workforce diversity
- Product safety and decreased liability.

2. Benefits to the community and general public

- Charitable contributions
- Employee volunteer programmes
- Corporate involvement in community education, employment and homelessness programmes
- Product safety and quality

3. Environmental benefits

- Greater material recyclability
- Better product durability and functionality
- Greater use of renewable resources
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

Nevertheless, many companies continue to overlook CSR in the supply chain for example by importing and retailing timber that has been illegally harvested, while governments can impose

embargos and penalties on offending companies, the organisations themselves can make a commitment to sustainability by being more discerning in their choice of suppliers.

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome.

A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organisations at the same time.

Conclusion

CSR have no boundaries and are not constrained by race, colour, or religion. Sadly, concern for the community is often mistaken for socialism. On the contrary, every citizen is an asset in economic activity and has opportunities to succeed. CSR is a culture and unwritten contract with the community. This invisible culture can shape a brighter future for nations. If employees do not see the point of CSR initiative or understand the message, initiatives are unlikely to be effective. Organisations must realise that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-CSR. Many of the leading corporations across the world had realised the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do well and get self satisfaction in return as well as societal obligation of business. The Indian corporate sector is planning to introduce CSR in the small and medium enterprises sector to increase its reach in remote areas. Also some companies have already started using the CSR as a strategy, which aims at mutual development of company and the community simultaneously.

References

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3. Press Release dated 27th February 2014
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5. Schedule 7 deals with the activities which may be included by companies in thier CSR policies.