

## Corporate Social Responsibility: Policy Implementation

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The concept of Corporate Social Responsibility (CSR) is not new in India. CSR has been widely established in the 1950's and 60's. Bowen defines CSR in 1953 - as one of the first - as "... an obligation to pursue policies to make decisions and to follow lines of action which are compatible with the objectives and values of society" (Douglas et al., 2004). The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Corporate Social Responsibility 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 "Triple-Bottom-Line- Approach" (UNIDO), With the help of these corporate companies even government has been brought to many changes in the area of science & technology, telecommunication, biotechnology, aerospace, health and say in what not. But even though the social sector which is not got expected level of development. The companies took CSR voluntarily and no proper guidelines were formed for the development many times the existence of corporate social responsibility itself was questioned?

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Last year Parliamentary Standing Committee recommended a specific portion of its profit should go towards CSR. The standing committee on finance headed by former finance minister Yashwanth Sinha has recommended that companies with turnover of Rs 1,000 crore and more, or networth of Rs 500 crore and more, or a net profit of Rs 5 crore and more to earmark 2% of their net profit on CSR.

On August 8 2013, the Rajya Sabha – the upper house of Indian parliament – passed the much-awaited new Companies Bill which will replace the nearly 60-year-old Indian Companies Act of 1956. Corporate Affairs Minister Sachin Pilot termed the passage of the legislation a “historic feat”. The Lok Sabha (lower house) approved the bill in December 2012. The adoption of the companies act which mandates that qualifying companies need to spend a minimum 2% of their average net profit on CSR activity, a move by the government to accelerate efforts to overcome the country’s acute social change.

According to the report, larger companies are already spending on CSR programmes.

During FY-13, 51 companies included in the Sensex or the Nifty 50 indices spent Rs 26.6 billion towards CSR activities. This, at an average, accounts to one per cent of average PBT (Profit Before Tax) of the preceding three years of these companies, but overall outlay will still need to rise to meet the 2 per cent norm laid out in the Companies Act 2013. The findings are based on an analysis of CSR efforts by 51 companies, that focused on various parameters, including integrity, transparency, strategic orientation, and efficiency.

#### **Core elements of CSR**

The ministry of corporate affairs puts a certain guideline to formulate CSR policy and explains the core elements that should be covered under the policy. Each business entity can formulate their own CSR policy to guide its strategic planning and provide a road map for its CSR initiatives. Which may be an integral part of overall business policy and may aligned with its business goals. The core elements are as follows:

1. Care for all stakeholders:

The share holders, employees, customer, supplies, project affected people, society at large etc. The companies should responsive and respect the interest of these. They should take as constructive measures to engage in the developmental activities and believe in collective efforts in the development.

2. Ethical Functioning:

The CSR Policy should be underpinned by ethics, Transparency and Accountability. They should not engage in business practices that are abusive unfair, corrupt or anti-competitive.

3. Respect for worker Rights and Welfare:

Provide work place environment i.e.. Safe, hygienic and humane and which upholds the dignity of employees. Companies should give importance to training, career developmental aspects on an equal and non discriminatory basis. Having effective performance appraisal system, motivation of employees, effective grievance redressal system, providing equal opportunities to recruitment, employees participation in management are very important.

4. Respect for human rights:

The rights of the last and the least should be respected / protected without any kind of bias and hopes.

5. Respect for environment.

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resource in a sustainable manner and ensure optimal use of resources like land and water should proactively respond to challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technology.

6. Activities for social and inclusive development.

Depending upon the core competency and business interest, companies should undertake activities for economic and social Development of communities and geographical areas particularly in the vicinity of their operations. These could include education skill building for livelihood of people, health cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

These are the core elements the ministry of corporate affairs proposes which is a voluntary in nature and no imposition is held for strict following of these elements.

**CSR- Implementation**

In fact, there is considerable flexibility for corporate on the areas that they can address as part of their social responsibility activities, the geographical regions that could be chosen for

the intervention and the manner of engagement. (HR Personnel can play crucial role in selecting backward communities, backward areas, underprivileged population, Tribal area, working with special children etc or during the planning phase, stakeholders can assist in identifying a firm's environmental, social and economic impacts, and help to develop a firm's CSR strategy) While the original Bill listed nine such activities (in Schedule VII), we understand that the final version covers as many as 22 activities – and provides the additional flexibility to the company's Board to decide on some other activity as well. The core social needs – including education, healthcare, sanitation, environmental sustainability, employability – are covered under Schedule VII, so the Bill is clearly aiming to align corporate CSR activities with the country's social development imperatives. The following are the some of the example to how to imbibe and practice the core elements of CSR in the corporate environment.

According to Schedule-VII of Companies Bill, 2012 the following activities can be included by companies in their CSR Policies:-

- (i) Eradicating extreme hunger and poverty;
- (ii) Promotion of education;
- (iii) Promoting gender equality and empowering women;
- (iv) Reducing child mortality and improving maternal health;
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) Ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) Social business projects;
- (ix) Contribution to the Prime Minister's National Relief Fund or any other fund set by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women; and
- (x) Such other matters as may be prescribed.

Proposing a good strategic CSR programme helps towards enhancing the brand image and reputation of business which leads to improvements in sales, customer loyalty and increased ability to attract and retain employees. Medium and large scale industries try to have their own CSR team to implement the policies whereas, the small scale industries which don't have the CSR team, they implement the CSR core elements through their HR department. The HR Department has to implement the core principles of CSR through their HR policy, HR hand book and HR practices.

In discharging corporate social responsibility, private companies may avail the help of local district administration and may adopt a Public Private Community Approach (PPCA). It's a model that will help companies to utilize their funds on issues like women safety, clean and green environment and other prioritize issues. The local district administration will have the idea like what programme to be implement, where to implement, how to be implemented and beneficiaries of such programmes etc.

During the orientation programme for new employee the CSR Policy may be highlighted. The company's commitment, progress and plans may be shared with the ignited minds. For example : Wipro/Infosys updates its initiative towards the community irrespective their demographic background.

During merging, acquisition and economic crises of the industries employees should be strategically handled. For example when some sick organization acquired by the other huge organizations the employees will undergo psychological problems and gets disturb, the pain and agony were not been able to describe. The management of both the companies should never give a chance to terminate the old employees or excess employees, they may plan to transfer the employees or depute to other units where manpower is needed. This is not only develops the loyalty but develops the belongingness in the organization. (Eg: Satyam & Mahnidra)

The organizations and communities can grow together for example agro based industries may assist the farmers in producing the crops and they can purchase directly from the farmers. This not only helps to raise quality of life among the farmers but it also helps to avoid the middlemen in the business. This allows win- win situation at both the side, we have to check the possibility of such cases in and around.

Implementation of statutory laws is another important factor in CSR, the Labour Laws/ environment laws/ social security acts and other laws which is appropriate to the respective industries, ensuring the compliances of the statutory laws is foremost important, default in statutory compliance gives bad image among the stakeholders.

### **Conclusion**

In order to implement CSR policy, CSR activities should be strategically planned and companies are required to embed CSR policy in their core business and the expenditure on CSR should be disclosed in their annual financial statements and the reports of boards of directors which make industries more transparent and accountable. The CSR initiatives also have to see greater

stakeholders participation and tighter accountability standards at all stages and corporate social responsibility should adequately dealt with industry practices like benchmarking, CSR ratings and certification by different agencies.

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