



SCENARIO OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA



Bhawna Rajput¹

¹Alumni
Department of Commerce,
Delhi School of Economics,
Delhi University,
Delhi, India

Shweta²

²Assistant Professor,
Shivaji College,
Delhi University,
Delhi, India

ABSTRACT

Corporate social responsibility (CSR) is gaining more and more importance day by day. Corporate social responsibility (CSR) is the commitment to improve community wellbeing through discretionary business practice and contribution of corporate resources. Business today have realized that in order to continue thriving they have to adopt more holistic and inclusive business model which has direct correlation with business performance. The present article reviews the concept of Corporate Social Responsibility, initiatives taken by prominent corporations towards CSR, and it also highlights the provisions of CSR in Companies Act 2013.

KEYWORDS: Corporate Social Responsibility, Corporate Citizenship, Companies Act 2013.

INTRODUCTION

Corporate social responsibility (CSR) is the way in which firms integrate social, environmental and economic concern into their values ,culture ,decision making, strategy and operations in a transparent and accountable manner and thereby establish better practice within the firms, create wealth and improve society. In other words CSR is the process of assessing an organization's impact on society and evaluating their responsibilities. CSR is also known as corporate conscience, corporate citizenship or responsible business.

OBJECTIVES

- ✧ To understand the concept and origin of CSR.
- ✧ To highlight some of the CSR initiative by Companies.
- ✧ To examine CSR Rules under Companies Act, 2013

PHASES IN EVOLUTION OF CSR

CSR can be distinguished into four phases.

During the first phase (1850-1914) - focus of CSR activities were on the donations to temple and various social welfare programmes.

The second phase (1914-1960) was mainly influenced by trusteeship theory given by mahatma Gandhi. The objective of trusteeship theory was to consolidate and amplify social development. Many reforms programmes were undertaken such as abolishing untouchability, empowering women and empowering women and developing rural areas.

The third phase (1960-1980) was mainly dominated by paradigm of mixed economy in which CSR activities were taken in form legal regulation of business activities and promotion of public -sector undertaking(PSUs).

The fourth phase (1980 until the present) is influenced by traditional philanthropic engagement and partly by steps taken to integrate CSR into a sustainable business strategy.

In 1953, Howard Bowen published his book, "social Responsibilities of the businessman" and is largely credited with coining the phrase 'corporate social responsibility'. Bowen defined CSR as the obligations of businessman to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in term of the objectives and values of our society".

Archie Carroll in 1991 describes "CSR as a multi-layered concept that can be differentiated into four interrelated aspects - economic, legal, ethical and philanthropic Responsibilities".

CSR SCENARIO IN INDIA

Major corporate have taken it upon themselves to think beyond profits and paying taxes, like the Bill Gates Foundations fight against AIDS, and other companies like TATA, Mahindra & Mahindra, AV Birla Group, taking a socially responsible approach when it mattered the most. It's time companies started looking at CSR more pragmatically and as a separate entity from philanthropy. Experts argue that CSR and even philanthropy can be a source of competitive advantage. In a country like India, where 70% of the population resides in rural areas, doing a bit of good to them makes a big business sense as huge volumes and large potential exist there. Mitigating environmental hazards caused due to intense industrial activity is a notable feature of CSR. Thus, there is an urgent need to initiate proactive measures in this regard at least not to harm the society.

BENEFITS OF CSR

Financial benefits:-

CSR projects lead to company growth resulting in more customers, higher revenue, and a greater capacity to be more innovative. Employees and customers prefer to work with a firm that they respect, thus leading to create a more stabilized staff and limiting the costs of finding new employees. Among the benefits created by CSR activities, financial returns are produced both directly and indirectly. Companies receive more recognition, create new products, or simply become involved in new ways of both helping others and making revenue. Investing in CSR can produce many benefits for the environment, society and a company's well-being.

Social benefits:-

The incorporation of CSR into a business can benefit the ways that a company operates and how it interacts with the community, other organizations including its customers, and the society in general. A company committed to Corporate Social Responsibility will often support projects that will do things like lower pollution, or lower energy output, or in some cases, companies will even give portions of their profit to charities, or will have their employees volunteer for community-building non-profits.

Environmental benefits:-

A major trend for CSR is implementing environmentally friendly models of operation in which a company carefully facilitates its production and services. This focus produces benefits for the environment using methods that are eco-friendly, while for the company, reducing costs and increasing sales as the drivers

SOME CSR INITIATIVES TAKEN BY INDIAN COMPANIES

- **CISCO SYSTEM INC.**

Philanthropy at cisco is about building strong and productive global communities in which every individual has the mean to live, the opportunity to learn and the chance to give back. The company pursues "strong triple bottom line" which is described as profit, people and presence. The company promotes a culture of charitable giving and connects employees to nonprofit organizations serving the communities where they live. cisco invests its best -in-class networking equipment to those nonprofit organizations that best put it to work for their communities which leads to positive global impact. The highest priority of cisco is the education because it is the key to prosperity and opportunity.

- **ICICI BANK Ltd.**

ICICI Bank Ltd under its Social Initiatives Group(SIG) works with a objective to build the capacities of the poorest of the poor to participate in the larger economy. The group identifies and supports initiatives designed to break the intergenerational cycle of poor health and nutrition, ensure essential early childhood education and schooling as well as access to basic financial services. Thus, by promoting early child health, catalyzing universal elementary education and maximizing access to micro financial services, ICICI Bank believes that it can build the capacities of India's poor to participate in larger socio-economic processes and thereby spur the overall development of the country. The SIG works by understanding the status of existing systems of service

delivery and identifying critical knowledge and practice gaps in their functioning. It identifies the cost effective and scalable initiatives and approaches that have the potential to address these gaps and supports research to understand their impact. This is collaboration with research agencies, nongovernmental organisations (NGOs), companies, government departments, local stakeholders and international organisations.

• **Infosys Technologies Limited**

Infosys is actively participating in various community development programs. Infosys promoted the Infosys Foundation as a not-for-profit trust in 1996 to which it contributes up to 1%PAT every year. Additionally, the Education and Research Department (E&R) at Infosys also works with employee volunteers on community development projects. Infosys leadership has set examples in the area of corporate citizenship and has involved itself actively in key national bodies. They have taken initiatives to work in the areas of Research and Education, Community Service, Rural Reach Programme, Employment, Welfare activities undertaken by the Infosys Foundation, Healthcare for the poor, Education and Arts & Culture. ITC partnered the Indian farmer for close to a century. ITC is now engaged in elevating this partnership to a new paradigm by leveraging information technology through its trailblazing 'e-Choupal' initiative. ITC is significantly widening its farmer partnerships to embrace a host of value-adding activities: creating livelihoods by helping poor tribal make their wastelands productive; investing in rainwater harvesting to bring much-needed irrigation to parched drylands; empowering rural women by helping them evolve into entrepreneurs; and providing infrastructural support to make schools exciting for village children. Through these rural partnerships, ITC touches the lives of nearly 3 million villagers across India.

• **Mahindra & Mahindra**

The K. C. Mahindra Education Trust was established in 1953 by late Mr. K. C. Mahindra with an objective to promote education. Its vision is to transform the lives of people in India through education, financial assistance and recognition to them, across age groups and across income strata. The K. C. Mahindra Education Trust undertakes number of education initiatives, which make a difference to the lives of deserving students. The Trust has provided more than Rs. 7.5 Crore in the form of grants, scholarships and loans. It promotes education mainly by the way of scholarships. The Nanhi Kali project has over 3,300 children under it. It aims to increase the number of Nanhi Kalis (children) to 10,000 in the next 2 years, by reaching out to the underprivileged children especially in rural areas.

• **Tata Consultancy Services**

The Adult Literacy Program (ALP) was set up by Dr. F C Kohli along with Prof. P N Murthy and Prof. Kesav Nori of Tata Consultancy Services in May 2000 to address the problem of illiteracy. ALP believes illiteracy is a major social concern affecting a third of the Indian population comprising old and young adults. To accelerate the rate of learning, it uses a TCS-designed Computer-Based Functional Literacy Method (CBFL), an innovative teaching strategy that uses multimedia software to teach adults to read within about 40 learning hours. Other social initiatives are

- Working with the differently -abled people
- Employment opportunities for the differently-abled
- Aiding under privileged children
- Helping rural community of in vazapur
- HIV/AIDS sensitization
- Peer education
- Green Audits

Dabur:-

Dabur India limited is the fast moving consumer goods company in India. It is fourth largest company in FMCG with the annual revenue of US\$1 billion and market capitalization of US\$4 billion.

SUNDESH 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 the weaker and more vulnerable sections – such as women and children, illiterate and unemployed – of the society.

Today, SUNDESH operates in Ghaziabad and Gautam Budha Nagar district of Uttar Pradesh, and has – more recently – established presence in Rudrapur district of Uttarakhand. Over the years, it has contributed to many worthy causes such as

- Health care programmes
- ,Education and literacy,
- Income generation programmes,
- Swasthya chetna Abhiyan,
- Smajdhar maa swasth bachha
- Machhar bhagao Abhiyan.

PROVISIONS OF CSR IN COMPANIES ACT 2013

CSR which has largely been a voluntary contribution by corporates has now been included in law. Section 135 and the CSR Rules have now been made applicable with effect from 1 April 2014.

Applicability: Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

CSR Committee and Policy: Every qualifying company requires to spend at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); shall recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company.

Activities under CSR:-

Schedule VII of the Companies Act, 2013 provides for list of activities which may be included by companies in their CSR Policies: Activities includes the following.

- ▲ 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;
- ▲ Such 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 2 or more companies for fulfilling the CSR activities provided that they are able to report individually.

Reporting: The Act, 2013 requires companies to report on their CSR policy, governance and initiatives along with CSR budget spent. A company covered under CSR provisions is required to include an annual report on CSR containing specified particulars in its Board's Report pertaining to a FY commencing on or after 1 April 2014. In case of a foreign company, the balance sheet filed with the Registrar of Companies must contain specified particulars of a report on CSR.

Failure to Comply: If the company has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report. There is no penalty for failing to spend on CSR, there are penalties for failing to report on CSR activities conducted or explain why CSR spending was not carried out. This incorporates the comply-or-explain approach typically adopted for corporate governance. Failure to explain is punishable by a fine on the company of not less than 50,000 rupees and up to 25 lakh rupees. Further, officers who default on the reporting provision could be subject to up to three years in prison and/or fines of not less than 50,000 rupees and as high as 5 lakh rupees.

CONCLUSION

Introduction of CSR provision in the Companies Act in India is a welcome step; it will certainly engage companies to seriously undertake social responsibility. In order to retain the advantage of having a CSR provision in the Companies Act, Companies should not view the CSR Clause as a reporting requirement i.e. a cost of doing business in India. Instead, they should utilize it as an opportunity to effect positive impact in the communities where they work and in the communities they affect. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders' objectives.

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