

Corporate Social Responsibility- An overview (In pursuant of India)

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Concept of CSR:

Corporate Social Responsibility (CSR) can be defined as a Company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies can fulfill this responsibility through waste and pollution reduction processes, by contributing educational and social programs, by being environmentally friendly and by undertaking activities of similar nature. CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic environmental and social objectives with the company's operations and growth. CSR is said to increase reputation of a company's brand among its customers and society. The Companies Act, 2013 has formulated Section 135 Companies (Corporate Social Responsibility) Rules 2014 and Schedule VII which prescribes mandatory provisions for Companies to fulfill their CSR. This article aims to analyse these provisions (including all the amendments therein)

Definition:

Corporate Social Responsibility (CSR) is a concept that suggests that it is the responsibility of the corporations operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large. Although there is no fixed definition, however the concept revolves around that fact the corporations needs to focus beyond earning just profits.

Corporate responsibility involves the search for an effective 'fit' between businesses and the societies in which they operate.

History of CSR in India:

India had a very well developed commerce and industrial sector since ancient times. The concept of helping the poor and disadvantaged was cited in much of the ancient literature. The idea was also supported by several religions where it has been intertwined with religious laws. "Zakaat", followed by Islam, is two percent donation from one's earnings which is specifically given to the poor and disadvantaged. Similarly Hinduism follows the principle of "Dharmada" and Sikhs the "Daashaant". In the global context, the recent history goes back to the seventeenth century when in 1790s, England witnessed the first large scale consumer boycott over the issue of slave harvested sugar which finally forced importer to have free-labor sourcing. All the philosophical, religious and spiritual literature available of that period is testimony to this fact. In recent times, many business houses believe that the role of business in society should not be limited to creation of wealth for its owners and promoters but also for the larger society. The early pioneers of Indian Industry, whether TATAs, Birlas, or Bajajs, firmly believed in the concept of social responsibility of business. The founder of TATA Steel, Jamshedji Nusserwanji Tata expressed in his speak in 1903: "We generate wealth for the Nation. What comes from the people must, to the extent possible, therefore, get back to the people". Gandhiji went on to elaborate this concept further by emphasizing the moral responsibility of business through his idea of Trusteeship. He viewed owners of capital, as Trustees holding resources on behalf of the society, which to produce goods and services, will benefit society, at large. The founder of Bajaj group, Shri Jamnalal Bajaj said: "Our wealth should be utilized for improving the quality of the society and the nation. We should never fail to spend at least a portion of our incomes on the social, economic and educational development of the province where we live."

Applicability of CSR Provisions:

- On every Company including its holding or subsidiary having
 1. Net worth of Rs 500 Crore or more, or
 2. Turnover of Rs. 1000 crore or more, or
 3. Net Profit of Rs. 5 crore or more

During the immediately preceding financial year

A foreign company having its branch office or project office in India, which fulfills the criteria specified above. However, if a company ceases to meet the above criteria for 3 consecutive financial years then it is not required to comply with CSR Provisions till such time it meets the specified criteria.

CSR Committee:

- Every Company on which CSR is applicable is required to constitute a CSR Committee of the Board:
- Consisting of 3 or more directors, out of which at least one director shall be an independent director. However, if a company is not required to appoint an independent director, then it shall have in 2 or more directors in the Committee
- Consisting of 2 directors in case of a private company having only two directors on its Board.
- Consisting of at least 2 persons in case of a foreign Company of which one person shall be its authorized person resident in India and another nominated by the foreign company.

Function of CSR Committee: The CSR Committee shall -

1. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company.
2. Recommend the amount of expenditure to be incurred on the activities referred to in clause .
3. Institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company.
4. Monitor the CSR Policy of the company from time to time.
5. Responsibility of Board of Directors :
6. The BoD of every company on which CSR is applicable shall :
7. After considering the recommendations made by the CSR Committee, approve the CSR Policy for the Company and disclose contents of such Policy in Board report.
8. Ensure that the activities as are included in CSR Policy of the company are undertaken by the Company.
9. Shall disclose the composition of the CSR Committee in Board Report.
10. Ensure that the company spends, in every financial year, at least 2 % of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of its CSR Policy. The CSR projects/programs/activities undertaken in India only shall amount to CSR expenditure.
11. The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities and shall specify the reasons for not spending whole of earmarked amount (if it fails to spend some) in Board Report

CSR Policy:

The CSR Policy of the company shall, inter-alia, include the following namely.

- A list of CSR projects or programs which a company plans to undertake specifying modalities of execution of such project or programs and implementation schedules for the same.
- Monitoring process of such projects or programs.
- A clause specifying that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the company.
- CSR Activities:

- The CSR activities shall be undertaken by the company, as per its CSR Policy, excluding activities undertaken in pursuance of its normal course of business.
- The BOD may decide to undertake its CSR activities approved by the CSR Committee, through.
- A section 8 company or a registered trust or a registered society, established by the company, either singly or along with any other company, or
- A section 8 company or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature.
- A section 8 company or a registered trust or a registered society, other than those specified in clauses (a) and (b) above, having an established track record of 3 years in undertaking similar programs or projects.
- Collaboration with other companies, for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs.
- The CSR projects or programs or activities not to be considered as CSR Activities:
- Expenses for the benefit of only the employees of the company and their families.
- Contribution of any amount directly or indirectly to any political party.
- CSR activities include preventive healthcare, sanitation, providing safe drinking water protection of national heritage, rural development projects and measures to benefit armed forces veterans. Promoting rural sports, nationally recognized sports, setting up homes and hostels for women, orphans and senior citizens and measures to reduce inequalities are also included. But contributions to state government funds and funding of political parties will NOT be considered CSR activities
- Display of CSR Activities on its Website:
- The BoD shall disclose contents of CSR policy in its report and the same shall be displayed on the company's website, if any
- Other important Points.
- The balance sheet of a foreign company to be filed under section 381(1)(b) of the Act shall contain an Annexure regarding report on CSR .
- The Board of Directors shall ensure that activities included by a company in its CSR Policy are related to the areas or subjects specified in Schedule VI (given below) of the Act.

Schedule 7 of Companies Act 2013:

- Activities which may be included by companies in their Corporate Social Responsibility Policies relating to:
- Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently able and livelihood enhancement projects.
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga. Fund set-up by the Central Government for rejuvenation of river Ganga.
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional art and handicrafts .
- Measures for the benefit of armed forces veterans, war widows and their dependents.
- Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports.
- Contribution to the Prime Minister's national relief fund or any other fund set up by the central govt. for socioeconomic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women.
- Contribution or funds provided to technology incubators located within academic institutions which are approved by the central govt.

- Rural development projects.
- Slum area development.

Corporate social initiatives:

Corporate social responsibility includes six types of corporate social initiatives:

1. Corporate philanthropy: company donations to charity, including cash, goods, and services, sometimes via a corporate foundation
2. Community volunteering: company-organized volunteer activities, sometimes while an employee receives pay for pro-bono work on behalf of a non-profit organization
3. Socially-responsible business practices: ethically produced products which appeal to a customer segment
4. Cause promotions and activism: company-funded advocacy campaigns
5. Cause-related marketing: donations to charity based on product sales
6. Corporate social marketing: company-funded behavior-change campaigns

All six of the corporate initiatives are forms of corporate citizenship. However, only some of these CSR activities rise to the level of cause marketing, defined as "a type of corporate social responsibility (CSR) in which a company's promotional campaign has the dual purpose of increasing profitability while bettering society." Companies generally do not have a profit motive when participating in corporate philanthropy and community volunteering. On the other hand, the remaining corporate social initiatives can be examples of cause marketing, in which there is both a societal interest and profit motive.

What benefits does CSR offer to Business?

Both ecommerce and brick-and-mortar businesses stand to benefit from the implementation of CSR strategies. Some activities that fall under the umbrella of CSR, with their corresponding benefits, include:

- 1. Prevent financial ramifications:** Compliance with the spirit and letter of the law — both nationally and internationally — through self-regulatory processes will prevent fines, put your business "low on regulators' radar screens," and lower legal expenses.
- 2. Increase employee loyalty:** Treating your employees fairly and generously is a part of corporate social responsibility. By providing good jobs and encouraging high professional and moral standards, you increase employee loyalty, and by procuring only those overseas products produced at factories where workers were treated ethically, you gain support among "Fair Trade" advocates.
- 3. Maintain a positive reputation:** Demonstrated consciousness in a variety of areas can garner publicity and give a business tangible proof of their conduct, which can be proudly displayed on a company website. These include:
- 4. Environmental consciousness:** Reducing waste, recycling, minimizing carbon footprint, and other best practices can. Using or producing only sustainable products, lowering energy usage, and supporting environmental causes will boost a business's "green reputation" among environmentally concerned clients.
- 5. Social Concern:** Donating to humanitarian causes that fight persistent poverty, help the victims of epidemics like AIDS or Ebola, or assist those displaced by hurricanes or earthquakes shows concern for issues that consumers are more and more aware of in our modern, interconnected world.
- 6. Local Community:** Involvement in local community projects, either through financial donations, employee participation, connecting your customers with project leaders, or promotion of the project through advertising and fundraising enhances your CSR credentials with clients in the given location.

Top 10 companies working in Education and Skill Development:

1. Reliance industries Ltd.
2. Adani Ports and Special Economy Zone,
3. ONGC Ltd.
4. Maruti Suzuki India Ltd.,
5. Axis Bank
6. UPL Ltd.
7. Infosys
8. Financial Technology India Ltd.
9. Laursen Turbo Ltd.
10. Tata Consultancy Ltd.

Top 10 Companies Working in Poverty, Alleviation, Healthcare and WASH:

1. NTPC Ltd.
2. Torrent Pharmaceuticals Ltd.

3. Cadila Healthcare Ltd.
4. Cairn India Ltd.
5. Torrent Power Ltd.
6. Maruti Suzuki India Ltd.
7. Reliance Industries Ltd.
8. Adani Ports and Special Economic Zone
9. Balkrishna Industries Ltd.
10. UPL Ltd.

Top 10 Companies working in Environmental Sustainability

1. ITC Ltd.
2. NTPC Ltd.
3. Axis Bank
4. Indian oil Corporation Ltd.
5. Hindustan Unilever Ltd.
6. Hindustan Petroleum Corporation Ltd.
7. Sadbhav Engineering Ltd.
8. IndusInd Bank Ltd.
9. ONGC ltd.
10. Tata chemicalsLtd.

Top 10 Companies working in Women Empowerment

1. Tata Power Corporation Ltd.
2. Sasken Communication & Technologies Ltd
3. Atul Ltd.
4. Bajaj Finance Ltd.
5. Tata Chemicals Ltd.
6. Navneet Education ltd.
7. Hindustan petroleum Corp Ltd.
8. SKF India Ltd.
9. Welspun India Ltd.
10. Gujarat pipavav Port

Top 10 Companies working in rural development

1. ONGC ltd.
2. Sadbhav Engineering Ltd.
3. Adani Ports and Special Economic Zone
4. Reliance Industries Ltd.
5. NTPC Ltd.
6. Welspun India Ltd.
7. ITC Ltd
8. ICICI Bank Ltd.
9. Ultra Tech Cements Ltd.
10. Pidilites Industries Ltd.

Top 10 Companies working in Rural Sports, Paralympics and Olympic Sports

1. Uflex Ltd.
2. ONGC ltd.
3. Tata Power Corporation Ltd.
4. Adani Ports and Special Economic Zone
5. Indian oil Corporation Ltd.
6. IndusInd Bank Ltd.



7. JSW Steel Ltd.
8. Alembic Pharmaceuticals Ltd.
9. Ganesh Housing Corporation
10. Novartis India Ltd.

Tata Group

Tata Group in India has a range of CSR projects, most of which are community improvement programs. For example, it is a leading provider of maternal and child health services, family planning, and has provided 98 percent immunization in Jamshedpur. The company also endorses sports as a way of life. It has established a football academy, archery academy, and promotes sports among employees. It offers healthcare services all over the country with programs like rural health development. Tata Steel India won this award for Corporate Social Responsibility from among the following short-listed nominees namely Coca-Cola Enterprises, CSM, Findus Group, Firmenich, Nokia, The Body Shop and Unilever. Tata Group also has an organized relief program in case of natural disasters, including long-term treatment and rebuilding efforts. It did laudable work during the Gujarat earthquakes and Orissa floods. It also supports education, with over 500 schools, and also is a benefactor of the arts and culture. It has done abundant work in improving the environment and local populations around its industries.

Reliance Industries Limited

RIL's contribution to the community are in areas of health, education, infrastructure development (drinking water, improving village infrastructure, construction of schools etc.), environment (effluent treatment, tree plantation, treatment of hazardous waste), relief and assistance in the event of a natural disaster, and miscellaneous activities such as contribution to other social development organizations etc. RIL plays a pivotal role in supporting Government's initiative towards education of girl child. In Gujarat, under the project "Kanya Kelvani", RIL's Dahej Manufacturing Division has extended financial assistance towards education of girl child in the state. RIL has developed Community Medical Centers near most of its manufacturing divisions to provide comprehensive health services. A unique joint initiative of RIL and National Association of Blind, Project Drishti has undertaken over 9,000 free corneal graft surgeries for the visually challenged Indians from the underprivileged segment of the society. Likewise there are various schemes and social services undertaken by reliance.

Adani Petronet Port Private Ltd.

This company has expanded its operations over the past decade in 18 States, 2,250 villages & towns across the nation with a team of 300 committed professionals who are relentlessly working with an approach that embodies innovation, people participation and collaboration with the key stakeholders. Touching more than 500,000 plus families & passionately acting on four core areas - Education; Community Health, Sustainable Livelihood Development and Rural Infrastructure Development. The Company takes up initiatives to facilitate appropriate and enabling processes for bringing about equitable, gender sensitive and self-sustaining communities. With a people centric approach, the company responds towards the emerging needs at the grass roots level aligning its activities with the Millennium Development Goals. The company aims to walk with the communities, empower people to look ahead by making the right choices and securing a bright and beautiful future, together.

Infosys

Infosys is aggressively involved in a variety of community growth programs. In 1996, the company created the Infosys Foundation as a not-for-profit trust to which it contributes up to 1 percent of profits after tax every year. Moreover, the Education and Research Department at Infosys also works with employee volunteers on community development projects. The management team at Infosys continues to set examples in the area of corporate citizenship and has involved itself vigorously in key national bodies. They have taken initiatives to work in the areas of research and education, community service, rural outreach programs, employment, healthcare for the poor, education, arts and culture, and welfare activities undertaken by the Infosys Foundation.

Ultratech 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 programs, education, infrastructure, environment, social welfare, and sustainable livelihood. The company has organized medical camps, immunization programs, sanitization programs, school enrollment, plantation drives, water conservation programs, industrial training, and organic farming programs.

Mahindra & Mahindra (M&M)

Indian automobile manufacturer Mahindra & Mahindra (M&M) 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 programs to assist economically and socially disadvantaged communities. CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs. M&M runs programs such as Nanhi Kali focusing on girl education, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas.

ITC Group

ITC Group a conglomerate with business interests across hotels, FMCG, agriculture, IT, and packaging sectors has been focusing on creating sustainable livelihood and environment protection programs. 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 livelihoods for over 40,000 rural women.

Conclusion

The concept of corporate social responsibility emerged in the 1960's when social values and expectations gave rise to a debate about the role of business in society. This debate focused on the nature of corporate social responsibility and gave rise to the possibility that this responsibility could be discharged through a method of social accounting. CSR has become an integral part of good management in India and abroad. Most of the enterprises are making efforts to earn customer loyalty through community development schemes, good corporate governance and by engaging stakeholders, within and outside the company. It is therefore necessary that managements at all level understand the scope and content of social accounting so that they can make value added contributions towards building the company's brand image and reputation.

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