Corporate Social Responsibility in Indian Context-A Study on Present Scenario in Corporate World

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Abstract

In Indian industry one can easily notice a paradigm shift from corporate philanthropist to being socially responsible. The compulsion of CSR (Corporate Social Responsibility) which has emerged in last two decades has made Indian organization to realize the importance of sustaining in this cutthroat competition era. Before this, Indian industries had materialistic culture. In the hue and cry of LPG (Liberalization, Privatization and Globalization) companies were only focused towards profit maximization which led social backwash. To overcome this fashion CSR plays an important role in sustainable development which is only possible when there is a balance between profit and lowering social backwash or eradicating it. The Indian government has been trying to make it mandatory for companies to spend at least 2% net profits on CSR. Today CSR to companies means development of local community and society at large, providing lunch to their employees or tackling global warming issues. This research paper titled "**Corporate Social Responsibility in Indian Context-A Study on Present Scenario in Corporate World"** tries to analyze the study of CSR status in India, present CSR practices in India and their impact and offer some suggestions to the companies to succeed in the field of CSR.

Keywords: **Corporate Philanthropist, Corporate Social Responsibility, Cutthroat competition, Social backwash, Sustainable development.**

1.Introduction

Corporate social responsibility(CSR) is a concept that has become quite familiar in the world-of-business today. Too often, attaining corporate social responsibility is understood from the perspective of business generosity to community projects and charitable donations.Today, CSR in India has gone beyond merely 'charity and donations' and is approached in a more organized fashion. It has become an integral part of the corporate strategy.Now a day's companies have become more transparent in their balance sheetand are incorporating their CSR initiative in their annual report. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programmes and set aside budgets to support them. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes

2.Statement of problem

CSR is not a charity or mere donations. It 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 their operations and growth.In this backdrop a study titled **"Corporate Social Responsibility in Indian Context-A Study on Present Scenario in Corporate World"** is undertaken.

3.Objectives of the study

The present study has been geared towards achieving the following objectives:

3.1. To understand the concept of CSR.

3.2. To determine the CSR tactics

3.3. To examine the legal framework of CSR.

3.4.To examine the present CSRpractices in India

3.5. To offer some suggestions to the companies to succeed in the field of CSR.

4.Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, website and media reports.

5.Concept of Corporate Social Responsibility

There is no single, commonly accepted definition of "Corporate Social Responsibility" (CSR). European Union (EU) describes CSR as "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large." While proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies.

6.Needfor CSR

The need for CSR arises due to following reasons:

6.1   To make employees more loyal and to retain them in the long run.

6.2   To make companies more legitimate and help them in accessing a greater market share.

6.3   To make companiesto act ethically

6.4   To promote the goodwill of companies amongst the general public and to strengthen their "brand value".

6.5   To stabilize stock markets in both short and long run

6.6   To limit state's involvement in corporate affairs

6.7   To create a more balanced world and healthier environmental systems.

7.Corporate Social ResponsibilityTactics and Benefits

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, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, generating employment by enhancing vocational skills, undertaking 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 socio-economic development.

Corporate social responsibility offers benefits to the companies in the form of 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 etc. Charitable contributions, employee volunteer programmes, corporate involvement in community education, employment and homelessness programmes, product safety and quality etc., are the benefits to the community and general public. Greater material recyclability, greater use of renewable resources, integration of environmental management tools into business plans, eco-labeling etc., are the environmental Benefits

8.Legal framework toCorporate Social Responsibility in India

India`s NewCompanies Act 2013 has introduced several new provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). 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 notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014.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.

Every qualifying company requires spending of 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 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); recommend the amount of expenditure to be incurred on the

activities referred and monitor the CSR Policy of the company. The Board shall consider the recommendations made by the CSR Committee and approve the CSR Policy of the company

9.Working ofCorporateSocial Responsibility

Under the Companies Act, while practicing CSR policy, companies should give preference to local areas and the areas where they operate. Company may also choose to associate with 2 or more other 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 are to be undertaken. The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure. If the company is unable to spend the minimum required expenditure it has to give the reasons in the Board Report for non compliance.

10.Present Scenario ofCorporate Social Responsibility in Indian Context

Even though the concept of CSR is not new to the country, its implementation has been a major concern for years. Apart from internal drivers such as values and ethos, some of the key stakeholders that influence corporate behaviour include governments (through laws and regulations), investors and customers. In India, a fourth and increasingly important stakeholder is the community, and many companies have started realizing that the 'license to operate' is no longer given by governments alone, but communities that are impacted by a company's business operations. Thus, a robust CSR programme that meets the aspirations of these communities not only provides them with the license to operate, but also to maintain the license, thereby precluding the 'trust deficit'. This scenario has opened up several areas for businesses to contribute towards social development. The present condition seems to be changing as many companies are trying to accept CSR as more than just planting trees or giving away charity to the needy. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of society.

Few Corporate Initiatives relating to CSR are given below:

10.1 Hindustan Unilever Limited, focuses holistic development in the villages they have adopted. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills.

10.2. Reliance Industries initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.

10.3.GlaxoSmithKlime Pharmaceuticals' CSR programmes primarily focus on health and healthy living. They work in tribal villages where they provide medical check-ups and treatment, health camps and health awareness programs.

10.4.As part of its Corporate Service Corps (CSC) programme, IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribal in the Sasan area of Gir forest.

10.5. Oil & Natural Gas Corporation offers community-based health care services in rural areas through 30 Mobile Medicare Units (MMUs). The ONGC-Eastern Swamp Deer Conservation Project works to protect the rare species of Easter Swamp Deer at the Kaziranga National Park in Assam.

10.6.The Infosys Science Foundation, set up in 2009, gives away the annual Infosys Prize to honour outstanding achievements in the fields of science and engineering. The company supports causes in health care, culture and rural development. Again,Infosysprovidescomputers to schools. It has also helped build 60,000 school librariesand Nirmala shouchalayas.

10.7.BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.

10.8   Tata Steel company's CSR programme is managed by three organizations — Tata Steel Rural Development Society (TSRDS), Tata Steel Family Initiatives Foundation (TSFIF) and the Tribal Culture Society (TCS). The Company uses Human Development Index to keep track of CSR in villages.

10.9 Tata Chemicals concentrates on conservation of whale shark-a rare species. The company spends Rs 12 crore on CSR every year &gives top priority to wildlife conservation.

10.10 Mahindra GroupsNanhi Kali' -focuses on educating the girl child.

10.11 Maruti Suzuki concentrates on community development and road safety propel. The village development will include construction of household toilets, upgrading government schools, separate toilets for girl students etc.

10.12 Tata Motors undertake green projects that preserve and regenerate local ecologies

10.13Siemens concentrates on raising health awareness in India by through Fit4Life program.

10.14 Larsen& Toubro participates in building a healthy community through continuing initiatives in several areas of healthcare, with a focus on mother & child care and HIV/AIDS awareness

10.15 Coca-Cola India has supported community programmes with a focus on education, health and water conservation. The Company has commissioned 400 rainwater harvesting systems, provided clean drinking water to more than 100 schools, supported school projects and driven reform in sustainable packaging, disaster relief and rehabilitation.

10.16 Steel Authority of India has supported maintenance of monuments in Delhi's Lodhi Gardens, and Vedvyas, Saraswatikund in Rourkela. To take care of distinct features of tribal culture, a 5-day Chhattisgarh Lok Kala Mahotsav is celebrated every year in Bhilaiandnearby places in which more than 600 artistes participate. To promote local culture and games, various Gramin Lokotsavs and Gramin athletics competitions are organised by SAIL at different locations throughout the year.

11. Suggestions:

Though India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of healthcare etc. are still ubiquitous and the government has limited resources to tackle these challenges. A 2011 study by the Oxford Poverty and Human Development Initiative estimated that approximately 650 million people, or fifty-three percent of India's population, live in poverty. In 2010, the World Bank estimated that about 400 million people in India live on less than U.S. $1.25 a day. By throwing light on these issues, some of the following suggestions have been given.

11.1. Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other.

11.2. Everyone in the organisation needs to recognise their own role in promoting CSR.

11.3. Training, conferences and seminars could be organised by the companies to disseminate and generate new knowledge and information in this sector.

11.4. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organization's contribution further.

11.5. Government regulations which are supporting in this direction could attract more response from organizations. All this would also lead to benchmark CSR activities.

11.6. Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity.

11.7. It is also suggested to review existing CSR policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

11.8 CSR activities should be based on data and suggestions of research institutes on pre-existing social problems.

11.9 Companies should collaborate with the people on the ground- those who are supposed to receive their CSR aid. This will help them realize what people actually need, what their actual problems are and accordingly they can humanize their CSR aid to help a number of people with greater efficiency.

11.10 Companies must also compulsorily collaborate with specialist non-government institutions, who have acted in a particular field with specialist experience for at least three years, This will help them utilize their fiscal resources better as dedicated NGOs will guide them in effectively implementing their aid programmes.

12. Conclusion

In the recent years corporate business houses have substantially involved towards societal responsibilities. Companies have started to realize the importance of CSR and initiating the steps towards it. It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. It is difficult for one single entity to bring about change, as the scale is enormous. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track. The CSR

regime in India is in a nascent stage and there will be hitches, and a lot of fine-tuning will be required before we hit the perfect balance. What is commendable is the spirit with which India has made her corporate socially responsible and in that, led the world's most developed nations.

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