

CSR as an emerging trend in the Indian business scenario

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Abstract

The Dynamic business scenario promotes an inextricable linkage of business towards societal welfare. As we move further into the twenty-first century, CSR is likely to become an increasingly essential framework for reconciling individual interests and the social good. CSR is not about pressuring firms into engaging in philanthropy or obligating them to shoulder additional responsibility for different social problems but in fact CSR is about establishing and perpetuating social norms that make economic markets more transparent and effective in serving societal interests. Because of this, CSR is likely to play an increasingly influential role in every aspect of business, from corporate strategy to marketing and human resource management. In this competitive business environment and after the implementation of Indian Companies Act-2013, a corporate entity cannot function without fulfilling its obligations towards social welfare activities. Consequently, the total CSR spending by the top 500 companies in the country since the applicability of mandatory CSR in 2014 has crossed Rs 500 billion within five years post mandate.

Keywords :

Corporate social responsibility, Globalization, Philanthropy, Business ethics

Introduction

The Global business scenario has transformed drastically over the years owing to the changing technology and cut throat competition. Ensuring better quality and productivity, adopting sustainable practices, handling cultural sensitivity, promoting innovation, and implementing dynamism is a requisite for business undertakings. In order to sustain and prevail in a society the foremost consideration should be given to benefiting not only the stakeholders but the environment as a whole. One such global practice that is emerging significantly with the changing scenario is corporate social responsibility. Every business organisation whether small, medium or large utilizes resources from the society in order to produce goods or provide services which in turn requires to contribute towards its betterment through acting responsibly and sustainably.

Corporate social responsibility is part of the reality of doing business in the twenty-first century. Throughout the years, the corporate social responsibility agenda has been wrought from distinctive theories and approaches. Initially, this term was typically used when evaluating the effects of business on society and the environment confining its scope to corporate philanthropy and business ethics. But, presently, CSR has developed as a concept beyond compliance contributions of companies to social, environmental and ethical concerns.

[Rodrik 1997] "Globalization would not have reached this far devoid of the corresponding propellers. The challenge for the twenty-first century is to contrive an innovative equilibrium involving market and society, one that will persist to unleash the ingenious energies of private entrepreneurship without grinding down the social base of cooperation."

The Economist observed this burgeoning trend and wrote that "CSR is flourishing. It is now a business in itself, with full time staff, websites, newsletters, professional associations and massed armies of consultants. Companies with a meaningful local CSR policy can help stimulate local growth, form lasting ties in the area, and essentially contribute to building a fairer society from the bottom up."

Corporate social responsibility is an outlook referring to the contributions that companies need to make towards the development of a modern society. CSR proves to be useful in promoting social justice, equality, transparency and accountability by holding organizations liable for their actions. CSR improves firm's reputation and support among internal and external stakeholders, the outcome of which is improved monetary performance.

Evolution of CSR in India

Over the last few years, corporate entities around the world have identified the value creating ability of CSR and many corporate entities have consequently started to weave the so-called triple bottom line approach - economic, social and environmental considerations into their strategies. Most Fortune 500 companies now include a senior level position in their organizational structure dedicated to CSR or sustainability issues.

The evolution of corporate social responsibility development in the corporate culture of India can be traced back to pure philanthropy and charity during industrialisation(1850-1914), then to social development during independence(1914-1960), and yet, again to the 'mixed economy' paradigm, bound under legal and regulatory framework of businesses, activities and the emancipation of public-sector undertakings (1960-1980). Finally, a globalized world in a confused state came to stay until a conscious effort was undertaken by the Ministry of Corporate Affairs, Govt. of India to provide a shape and structure to CSR dynamics, through a carefully crafted CSR mandate under the section 135 of the Companies Act, 2013 that is scheduled to drive social change as well as contribute to national development at various levels making India the only country in the world with legislated corporate social responsibility.

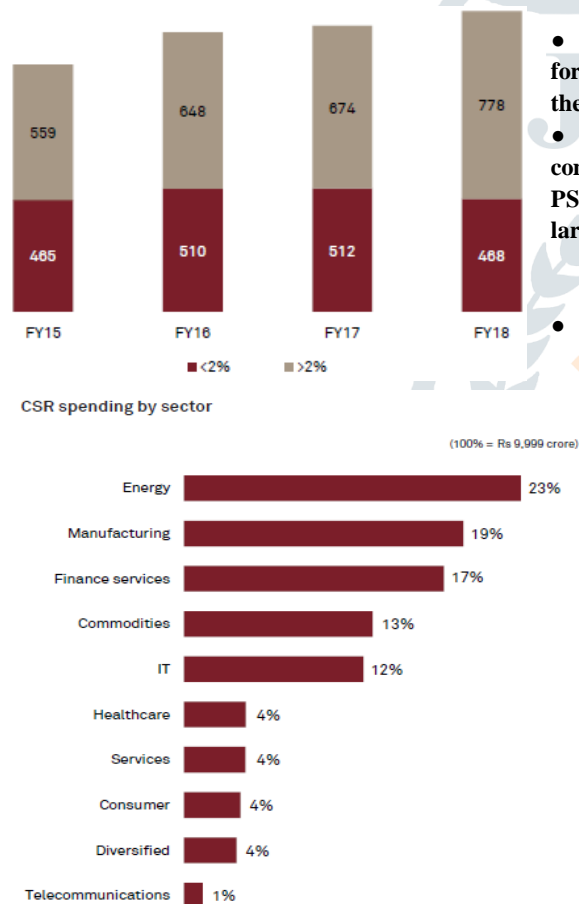
The real intent behind bringing in CSR regulations in India and getting businesses involved in solving development challenges is to leverage the corporate innovations and management skills. As coined in one of the Committees' report (constituted by the Ministry of Corporate Affairs, GoI) "CSR should not be interpreted as a source for financing the resources gaps in government schemes. Use of corporate innovations and management skills in the delivery of 'public goods' is at the core of CSR implementation by companies".

With INR 11000-14000 Cr. annual inflow of fund for development interventions through CSR, India has definitely taken a lead in pushing the idea of corporate philanthropy in the boardrooms and engaging the top-management of companies in 'dialogue for development'. The first two years of regulations were difficult for companies with large CSR budget, as they were required to set up internal processes and identify the right model and partners for implementation. As expected, many companies had bitter experiences of going wrong in the choice of programs and partners, and thereafter, the follow-up phase of course-correction has also ended with three more years of CSR compliance ending in March 2019.

Whether mandatory CSR has delivered as per the intent of the provisions or not is a point to be discussed and debated, but we can vouch for the fact that it has changed the way businesses used to look at the social sector and humanitarian issues. It has furthered the idea of 'community-engagement' to the next level and has created an enabling environment for 'collaborations for greater good'.

CSR Statistical Analysis

If we look at the overall CSR ecosystem in India, Cumulative spending topped Rs 50,000 crore last fiscal, including Rs 34,000 crore by listed companies and nearly Rs 19,000 crore by the unlisted ones since the applicability of the mandatory CSR. A large chunk of this is towards education and skills development projects, followed by healthcare and sanitation initiatives, both of which are top priorities for the central government as well.



- Overall, 1,913 companies met the eligibility criteria, of which, 667 were unable to spend for various reasons. Of the balance 1,246 companies, over two-thirds spent 2% or more of their profits and the rest 153 companies spent 3% or more profits in CSR.

- Public sector undertakings (PSUs) accounted for just 4% of the total number of companies but contributed a quarter of the spend. A whopping 91% of the spend in the PSU category was by large companies. The trend held in the private space, too, where 339 large companies accounted for 75% of the segment pie.

- CSR spend of energy companies was the highest among sectors, with 51 companies spending Rs 2,253 crore, or 23% of the pie. Manufacturing was the largest sector with 404 companies, but spent Rs 1,868 crore, accounting for 19% of the pie. Financial services, with 126 companies, was the third-largest spender and accounted for 17% at Rs 1,738 crore. Next up was IT, where 54 companies spent Rs 1,198 crore, accounting for 12%.

- Around 74% of all companies used implementing agencies such as nongovernmental/voluntary organisations (NGOs/VOs) for their CSR projects.

- State-wise, Maharashtra, Rajasthan, Karnataka, Gujarat and West Bengal are the top five CSR fund recipients.

Source : CRISIL CSR Yearbook 2019

If we dig-deeper in the reported and projected CSR data, it is largely the big 500 companies that define the CSR landscape of the country. These big 500 companies command more than 90% of the total CSR pool of the country. Making it more specific, it's only the top 20 companies that command more than 45% of India's total prescribed CSR fund year after year, the total prescribed CSR spend for these 500 companies between FY 2014-15 and FY-2018-19 is INR 49537 Cr.

The emerging trends of CSR in India

CSR in India is expected to flourish in the coming years owing to the stringent measures taken by the government with the following visible projections :

- CSR compliance in-line with the prescribed CSR per year is going to increase and would reach in the range of 97-99% by FY 2019-20.
- Education is the most preferred intervention area for companies, specially companies with medium CSR budget, and this is expected to remain the most preferred theme for years to come.
- CSR compliance level is set to increase, and in-depth (detailed) disclosures in the annual reports will be a common practice.
- The average ticket-size of the CSR projects has shown downwards movement from 2014-15 to 2016-17, but gradually, this will reverse.
- Top 10 companies command more than one-third of India's CSR pool while top 20 command over 45% of the CSR fund, and this is likely to remain constant for next 3-4 years.

- Government collaboration for large scale CSR partnerships; more companies will align their CSR programs with government programs, schemes and priorities with special focus on Ayushman Bharat, Aspirational District Programme, Skill India Mission and National Nutrition Mission.
- Business to business (B2B) collaboration and joint design and implementation of projects is gradually getting space in boardrooms and we will see more collaborative projects on the ground in the near future.

Conclusion

With the beginning of 6th year of CSR compliance, we see a new level of discussions among businesses, government agencies, NGO leaders and impact investors. The whole notion of CSR as 'easy-money' is fading away and the sense of accountability for each rupee going towards development is gaining the roots. With the prescribed CSR spend of companies, that have to comply with the CSR rules, totalling over INR 50,000 Cr. for the first five years of the compliance, the future of corporate philanthropy in India is going to be defined by how good we have used the fund in the past years and how we plan to use it in future for solving the challenges that our present and future generations are going to face. This will also be a test of boardroom decision-makers for setting up priorities by juxtaposing immediate gains of sheer philanthropy and long-term benefits of sustainability-oriented projects. Irrespective of what one prioritizes, we all have to agree that the CSR regulation is not just about the numbers but about the choices that we make to transform each number into a story of good.

CSR if applied efficiently and effectively provides a source of value creation for the business which allows it to operate as a cohesive unit in the imagined realm i.e the world that extends beyond our immediate environment.

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