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## CORPORATE SOCIAL RESPONSIBILITY (ANALYSIS OF SELECTED PHARMACEUTICAL AND IT COMPANIES)

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### ABSTRACT

*Corporate Social Responsibility is Important part of Corporate Governance. Corporate Social Responsibility (CSR) is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Over the last years an increasing number of companies worldwide started promoting their business through CSR strategies because the customers, the public and the investors expect them to act sustainable and responsible. The main purpose of these study is to analyze the Corporate social Responsibility activities carried out by Selected IT and Pharmaceutical Companies. The study is based on Secondary data taken from the last five years annual report of the selected Selected IT and Pharmaceutical Companies. This Study adopt descriptive approach. The Researcher find out that Pharmaceutical and IT firms are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. The interest in CSR by the accountant is not only in the financial impact on the society but it also covers a very wide range. The major component of accountant's contribution in CSR is that they have the capability to present a method for corporations accountable for what they do. range of stakeholders have a curiosity in the CSR actions of businesses, most believe their willingly produced reports do not have reliability and are usually doubtful of firms' social responsibility exposure.*

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**Key words:-** Corporate social Responsibility, Corporate Governance, Pharmaceutical Companies, IT Companies, Corporate Social Responsibility Disclosure, New Companies Act,2013.

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### INTRODUCTION

Now a day's Corporate Social Responsibility is buzz word. Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. Corporate social responsibility is represented by the assistance undertaken by companies to society through its company activities and its social venture. Corporate social responsibility has become the company's main obligation. This has become a strategy for achieving corporate image.

The idea of CSR first came up in 1953 when it became an academic topic in HR Bowen's "Social Responsibilities of the business". Since then, there has been continuous debate on the concept and its implementation. . Corporate Social Responsibility (CSR) is a concept in which there is the essence that is right and in accordance with the desired business behavior.

According to World Bank Group states that “CSR is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development.”

According to Business for Social Responsibility (BSR), CSR is defined as “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment” (BSR 2003). The discussion of CSR in India in the following sections is carried out with this definition in mind.

Over the last few years company started making contribution towards Corporate social responsibility. It shows value of company. CSR is the solution of achieving sustainable competitive advantage in the turbulent global environment.

The CSR program is not only a form of program that is used to fulfill obligations, but also for a strategy for companies to create a good image that can improve the performance and value of the company in the future. The implementation of the company's CSR program is a form of fulfilling the interests of all existing stakeholders. CSR programs do not only have economic and legal obligations to shareholders/stakeholders, but the company also has obligations to other interested parties. Thus, the CSR program carried out by the company will cause the company and its business activities to be accepted and legitimized by all relevant stakeholders.

The performance of the company which is increasing from the result of the implementation of CSR programs will eventually become a positive signal for the market when published in financial statements. Sutrisno (2009) explains that information on financial statements describes information related to the condition of the company's financial development. Information on company performance will be a source for the market to describe the company's prospects. Thus, investors will be able to determine whether they want to invest in the company or not.

## CSR IN INDIA

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature that is, getting linked with business than philanthropic, and a

large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.



## OBJECTIVES OF THE STUDY

The study is intended to achieve the following objectives:

- To study the Indian government policies and programmes of CSR.
- The main purpose of the study is to analyze the corporate social responsibility (CSR) activities carried out by Selected IT and Pharmaceutical Companies.
- To evaluate contribution toward CSR activity.

## METHODOLOGY

The study is based on the secondary data collected from the annual reports of TCS and Sun Pharma Companies for study period from 2014-15 to 2017-18. The study adopts descriptive and analytical research design. According to the section 135, Schedule VII of Companies Act-2013 initiatives of CSR.

## CSR GUIDELINE AS PER INDIAN COMPANIES ACT 2013

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The ministry's draft rules, that have been put up for public comment, define net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India.

The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative

activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

## ROLE OF CORPORATE GOVERNANCE

**CSR and corporate governance are two sides of the same coin.** The next aspect is that the employees and the stakeholders including the shareholders have an important function to perform as far as the twin objectives of good corporate governance and the practice of CSR are concerned. Since effective corporate governance means that internal democracy and external responsibility go hand in hand, all the stakeholders have a duty towards the company to persuade the management to follow ethical and social norms of doing business. This is a manifestation of what has been called shareholder activism and stakeholder involvement which means that the entire stakeholder and the shareholders can exercise power over the actions of the board and the management to steer them towards the practice of good corporate governance and CSR.

Finally, the pressure groups and the consumers at large can vote with their wallets and their unrelenting focus on the actions of the corporate to bring about effective corporate governance. As the cliché goes, charity begins at home and hence corporate need to ensure that their internal governance models are robust before they embark on CSR. In conclusion, there is a mass awakening of sorts that is happening with society at large waking



up to the need for corporate to be ethical and socially responsible and conscious. Hence, no corporate can afford to ignore the telltale signs of consumer and stakeholder focus on these aspects.

## CORPORATE SUSTAINABILITY, CSR AND THE THREE P'S



The three Ps according to Marrewijk (2003) are not very different from the above mentioned financial, social and environmental bottom line. It points to the fact that, while we do business today and make some profits we must not forget other people, be they employees or the community and we must not degrade the planet for this will compromise the availability of resources for future generations.

While some researchers have frowned at the triple bottom line thinking, advocates of this business philosophy strongly believe it has a lot to offer regarding CSR if it is well put into use. For example Norman and MacDonald (2004) refer to Triple Bottom Line as being nothing but a smokescreen behind which companies can avoid truly effective social and environmental reporting and performance

## CSR REPORTING

The new Act requires that the board of the company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy for the company and disclose its contents in their report and also publish the details on the company's official website, if any, in such manner as may be prescribed. If the company fails to spend the prescribed amount, the board, in its report, shall specify the reasons.

Business responsibility reporting the other reporting requirement mandated by the government of India, including CSR is by the SEBI which issued a circular on 13 August 2012 mandating the top 100 listed companies to report their ESG initiatives. These are to be reported in the form of a BRR as a part of the annual report. SEBI has provided a template for filing the BRR. Business responsibility reporting is in line with the NVG published by the Ministry of Corporate Affairs in July 2011. Provisions have also been made in the listing agreement to incorporate the submission of BRR by the relevant companies. The listing agreement also provides the format of the BRR. The BRR requires companies to report their performance on the nine NVG principles. Other listed companies have also been encouraged by SEBI to voluntarily disclose information on their ESG performance in the BRR format.

## CSR & CORPORATE PERFORMANCE

Company performance is a form of description of the level of achievement of the company in a certain period. Companies must be able to maintain that the company's performance remains stable in each period. This is because the company continues to get a good image from the stakeholders. Sutrisno (2009) states that information and description of the condition of the company's financial development are based on financial statement information. The bad performance of the company will be immediately known when the users of financial statements interpret the information contained in the financial statements.

Company financial performance, in turn, is also a multidimensional construct, and marketing performance is one of the dimensions (Carton and Hofer, 2010). Research has shown that variables, such as growth in sales revenue and profits, capture distinct dimensions of performance, and no one of these measures on its own fully encompasses company financial performance (Venkatraman and Ramanujam, 1987).

### List of activities Specified under Schedule VII



## SUN PHARMA CSR

### Basic Profile

Sun Pharmaceutical Industries Ltd. was **incorporated in Kolkata in the year 1983**. It commenced operations as a partnership firm by Dilip Shanghvi and his family, with 5 products to treat psychiatry ailments. Starting from two states (West Bengal and Bihar), it began to roll out national level sales within 2 years (by 1985). The company introduced *cardiology* products in 1987 followed by gastroenterology products in 1989. Sun



Pharmaceuticals Ltd. is India's largest (by market capitalization) and the world's 5th largest specialty generic pharmaceutical company. The company manufactures and sells high-quality, affordable medicines in over 150 countries across 6 continents.

As of 31st March 2015, Sun Pharmaceuticals Ltd. had an intellectual capital of 2,000+ scientists, and had invested over 7% of its annual revenues in R&D. The company has over 48 manufacturing facilities across the globe. 30 of their brands are among the top 300 pharma brands in India.

### CSR PHILOSOPHY

The Company intends to undertake its corporate social responsibility in a strategic manner. The Company will leverage its financial and human resources, networks and expertise to create maximum impact for its stakeholders.

The Company may take up activities in segments pertaining to Healthcare including preventive healthcare, Education & Livelihood, Environment protection, Water management and other unforeseen but important activities including disaster relief, etc. as a part of its CSR activities. The Company may conduct a pilot for each of the selected programs, identify issues, if any and address them before scaling up to the desired level.

Most of the CSR activities of the Company aim to improve the lives of the local community and the Company shall strive to be responsive to the needs expressed by the community, either explicitly or otherwise.

### CSR Focus Area Sun Pharma

At Sun Pharma, we make good health affordable and accessible to the marginalized communities and society at large. With active fieldwork, dedicated research and recognition of the efforts of those who work behind the scenes to combat illness and disease, we help as many people as we can to ensure their right to good health.

Health, education, water, livelihood, environment and disaster relief are some of our key priorities in the area of corporate social responsibility (CSR). We also help conduct trainings in

vocational skills for communities and undertake local-level community programmes that are need based.

### CSR PROJECTS ) [TABLE 1]

YEAR	PROJECTS DETAILS	AMOUNT
2014-15	Ranbaxy Sanjeevan Swasthya Sewa	1.90 Cr
2014-15	Ranbaxy Daichi Sankyo Joint Initiative	0.66Cr
2014-15	Ranbaxy Daichi Sankyo Joint Initiative	1.23Cr
2015-16	Educational Activities and sanitation activities	0.43 Cr
2015-16	Mobil Medical unit	3.10Cr
2015-16	Healthcare Project	8.00Cr
2016-17	Environment Conservation Programme	0.09Cr



YEAR	PROJECTS DETAILS	AMOUNT
2016-17	Educational Programme	0.37Cr
2016-17	Livelihood Programme	0.30Cr
2016-17	Sanitation Programme	0.08Cr
2016-17	Healthcare Programme	0.06Cr
2016-17	Mobile Medical Unit Programme	1.51Cr
2017-18	Drinking Water Project	0.02Cr
2017-18	Kidney Dialysis Project	0.04Cr
2017-18	Educational Programme	0.16Cr
2017-18	Sanitation Programme	0.32Cr
2017-18	Mobil Medical unit	2.15Cr

### CSR AWARD

1. In the year 2015 Sun Pharma Received Excellence in CSR Award  
**"India Pharma Awards – 2015" instituted by UBM-India**
2. In the year 2018 Sun Pharma Received Excellence in CSR Award  
**"Outstanding Contribution in CSR-2018" instituted by Federation of Gujarat Industries**

### TATA CONSULTANCY SERVICE CSR

#### Basic Profile

TCS Limited was founded in 1968 by division of Tata Sons Limited. Its early contracts included punched card services to sister company TISCO (now Tata Steel), working on an Inter-Branch Reconciliation System for the Central Bank of India, and providing bureau services to Unit Trust of India.

TCS is one of the largest Indian companies by market capitalization. TCS is now placed among the most valuable IT services brands worldwide. In 2015, TCS is ranked 64th overall in the *Forbes* World's Most Innovative Companies ranking, making it both the highest-ranked IT services company and the top Indian company. It is the world's 2nd largest IT services provider. As of 2017, it is ranked 10th on the Fortune India 500 list. In April 2018, TCS became the first Indian IT company to breach \$100 billion market capitalization, and second Indian company ever (after Reliance Industries achieved it in 2007) after its m-cap stood at Rs 6,79,332.81 crore (\$102.6 billion) in Bombay Stock Exchange.



In 2016-2017, Parent company Tata Sons owned 70% of TCS; and more than 70% of Tata Sons' dividends were generated by TCS. In March 2018, Tata Sons decided to sell stocks of TCS worth \$1.25 billion in a bulk deal.

### CSR PHILOSOPHY

TCS' commitment to CSR stems from Tata Group's abiding concern for society and environment. A concern captured in the words of the Founder, **Jamsetji Tata: "In a free enterprise, the community is not just another stakeholder in our business, but it is in fact, the very purpose of its existence."**

At TCS, CSR programs seek to create sustainable well-being. The guiding principle is "Impact through Empowerment", where outcomes and measureable impacts are delivered through a long term sustained effort. TCS seeks to leverage the strength of its global presence and large employee base to transform the delivery of social programs while using its IT expertise to create agility and efficiency.

### CSR Focus Area TCS

TCS demonstrates care for the community through its focus on education & skill development, health & wellness and environmental sustainability including biodiversity, energy & water conservation. TCS also seeks to extend support in instances of natural disasters.

**CSR PROJECTS [TABLE 2]**

YEAR	PROJECTS DETAILS	AMOUNT
2014-15	Childline software support to track missing children	0.25Cr
2014-15	Health Initiatives	172.77Cr
2014-15	Education and Skill Building	32.43Cr
2015-16	Restoration of Heritage Building	0.30Cr
2015-16	Relief Fund	4.44Cr
2015-16	Contribution towards Educational Activities	84.96Cr
2016-17	Contribution to TCS Foundation	200Cr
2016-17	Restoration & Renovation of Heritage Structure	0.20Cr
2016-17	Repair and Maintenance of Natural Resources	0.54Cr
2016-17	Childline Software Support	0.26Cr
2016-17	Healthcare Initiatives	85Cr
2016-17	Providing Training and Education	88Cr
2017-18	Ensuring Environmental Sustainability	1Cr
2017-18	Eradicating Hunger, Poverty & Promoting Healthcare & Sanitation	131Cr
2017-18	Education & Skill Development Initiatives	86Cr

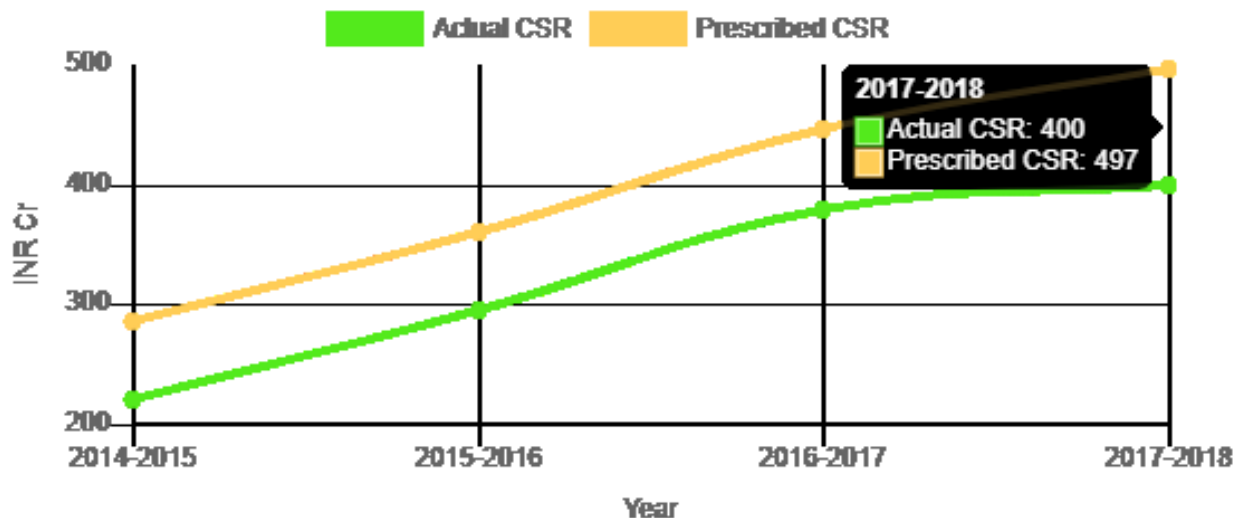




**CSR BUDGET OF SUN PHARMA & TCS**

*- TATA CONSULTANCY SERVICE [TABLE 3]*

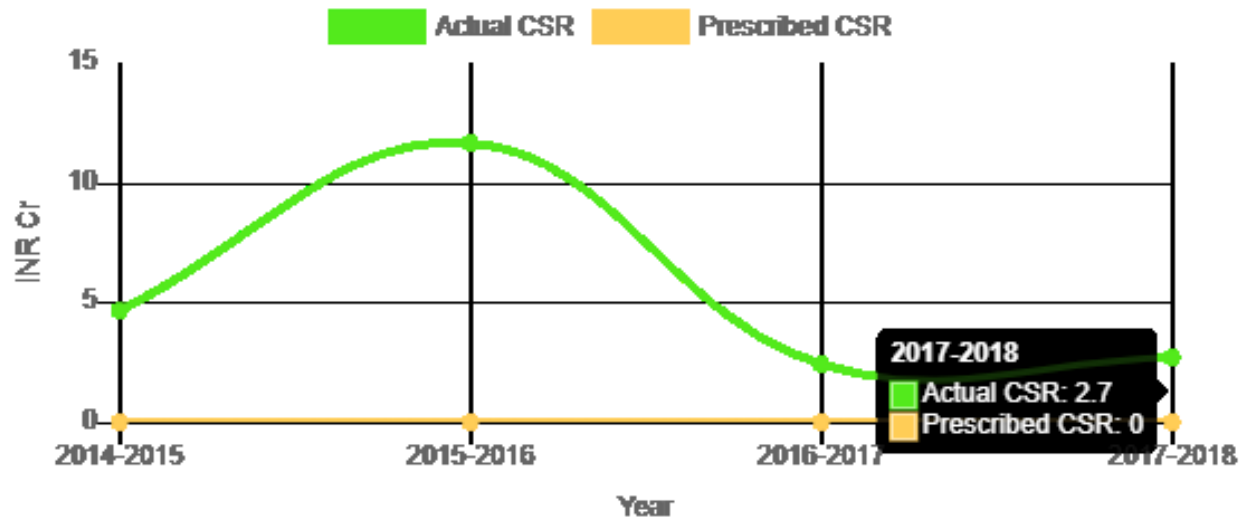
Year	2014-2015	2015-2016	2016-2017	2017-2018
Actual CSR	219.00 Cr	294.00 Cr	379.71 Cr	400.00 Cr
Prescribed CSR	285.00 Cr	360.00 Cr	446.00 Cr	497.00 Cr



*- SUN PHARMA [TABLE 4]*

Year	2014-2015	2015-2016	2016-2017	2017-2018
Actual CSR	4.60 Cr	11.65 Cr	2.41 Cr	2.70 Cr
Prescribed CSR	0.00 Cr	0.00 Cr	0.00 Cr	0.00 Cr





The Actual CSR Contribution indicates the average level of corporate social Responsibility activities under taken an organization over a period of time. Table -3,4 shows that Actual CSR Contribution in TCS IT firms is more than that of Sun Pharma Pharmaceutical firms. Sun Pharma are not disclosed other activities such as CSR budget, heritage site protection and promotions etc., when compared with TCS.

## CONCLUSION

Corporate Social Responsibility is essential in India as more than 65% of population is living in rural areas. There are huge differences between urban and rural India in terms health care facilities, education levels, infrastructure, housing, nutritious food, awareness on their rights of protection, etc. The analyzed data reveals that though the Pharma and IT firms are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR as Indian corporate sector is spending merely 0.2 percent of their profits towards CSR activities. In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013 encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. CSR is viewed as vital tool for improving their competitive edge over their opponents.

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