INTRODUCTION OF CORPORATE SOCIAL RESPONSIBILITY: AN INDIAN VIEWPOINT

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Abstract

Corporate Social Responsibility is widely recognized as a mechanism by which an entity can achieve sustainable growth. As such, it must be embraced as an organizational aim. According to New Company Law, 2012 firms are expected to contribute 2 percent of their net profits to CSR, which has made Indian companies actively work towards CSR, as it allows a specified class of companies to invest part of their profits on CSR activities. Every contribution to society’s well-being is named as. Corporations should no longer restrict themselves to the use of society ‘s wealth and must be socially conscious corporate citizens who must therefore contribute to the common good. The key objective behind this study is to see why CSR is important for Corporation? What would they contribute for the growth of the country ‘s economy? So what are the Government’s significant measures to increase the corporate commitment to CSR activities? As we know, Indian businesses today go beyond the concept of Philanthropy (Charity) and concentrate more on all stakeholders. The present research paper aims to examine some such aspects of the new CSR law in the sense of contemporary business practice and also to draw government authorities’ attention to practical difficulties in enforcing the new provisions.

Keywords: CSR, India, Company Law

INTRODUCTION

CSR evolution in India refers to shifts in the cultural norms of co-operates engaged in CSR activities over time in India. Businesses manage to have a positive overall impact. On the communities, cultures and societies in which they operate. CSR’s foundations lie in the fact that not only public policy but also corporate responsibility should be necessary to tackle social problems. Thus businesses are expected to deal with the problems and concerns that the states are facing to a certain degree. CSR is a management concept whereby companies integrate social and environmental concerns into their business operations and their stakeholder interactions. CSR is commonly defined as the manner in which a business maintains a balance of economic, environmental, and social imperatives while meeting shareholder and stakeholder expectations at the same time. Something that is helpful to the community can be called CSR and such operation needs to be posted on their website by the organization and approval from the board should be taken.

CSR is an important growth factor since businesses need to look after their communities, particularly those that operate in rural areas. But CSR also has an environmental dimension that could affect business based on their activity Many businesses may have reasons to do CSR such as sincere concern for their environment and community that will ultimately become their source of human resources as well as the raw materials they need to survive. Many businesses may also see this as an significant factor in obtaining public recognition for their operations. With businesses working in remote regions, such as mining and oil and gas companies, this is very true. Many people who live there indigenously also experience them and the businesses have to deal with these groups. Another perspective on CSR is that it should be regarded by businesses as a voluntary activity rather than anything strictly regulated. Whether it’s what the company is good at doing, it’s not something the company needs to do because of the regulation or something else. At the other hand, companies should not be pressured to do CSR as a compulsory practice, since the technology players are not just businesses. It also encompasses government, civil society and the community itself.
DATA AND METHODOLOGY

The data from this analysis are secondary data that obtained from different sources such as official corporate affairs minister department websites, newspaper articles, research papers and magazine articles. As we know, the conventional viewpoint focused on Corporate Philanthropy, meaning charity for financial, cultural and religious purposes and Modern Viewpoint focused stakeholder long-term interest and sustainable growth. The key aim behind this study is to see why Business is vital? What would they contribute for the economic development of the country? And what steps should be taken by the government to increase the corporate commitment to CSR activities?

POLICY IN INDIA

Under the Companies Act, 2013, which replaces the almost six-decade-old law regulating the way corporate operating and is governed in India, profitable companies with a significant company will have to invest at least 2% of the average three-year income on CSR works per year. This would apply to companies with Rs 1,000 crore turnover and or more, or Rs 500 crore net worth and more, or Rs 5 crore net profit and more. Beginning the beginning of 2013-14, according to new proposals, top earning PSUs such as ONGC, BHEL and NTPC will have to double their CSR expenditure according to the latest draft guidelines being finalized by the Public Enterprises Department (PED). Net benefit PSUs between Rs 100-500 are expected to earmark 2-3 per cent of their profits. They must ensure that they invest the entire amount allocated to them, or they must reveal why they did not spend this budget. Companies in the public sector with a profit of less than Rs 100 crore are required to contribute 3 per cent of their income for such activities.
The proposed guidelines stated that if Public Sector Units (PSU’s) are unable to spend the amount earmarked for CSR in a given year, it must be spent over the next two years. The Guidelines continue to exclude sick and loss-making PSUs from budget allocation for CSR activities undertaken.

Enterprise Act Stipulation, 2012

Any company with a net worth of Rs 500 crore or more, or a turnover of Rs 1,000 crore or more, or a net profit of Rs 5 crore or more for any financial year, shall constitute a Board CSR Committee composed of three or more members, of which at least one member shall be an independent director. Document from the Board to disclose the composition of the CSR Committee.

The CSR Committee’s key duties are to:

- Formulate and recommend to the Board a CSR policy setting out the activities or activities to be undertaken by the company as provided for in Schedule VII of the Act.
- Demand appropriations for these programs.
- Regular monitoring of company CSR policy.

After recommendations are made by the CSR Committee, the company’s board must approve the CSR policy and reveal the contents of such policy in its report and also position it on the company website. Additionally, details of the company’s policy on CSR programs developed and introduced throughout the year to be included in the Board’s report each year.

Board to ensure the Organization undertakes the activities specified in the CSR Policy. Board to ensure that in each financial year at least 2 per cent of the company’s total net profits are expended on these operations in the three immediately preceding financial years. The preference for CSR investment to be given to the local region and regions where the business works. If a company fails to provide or spend that amount, Board will specify reasons for that failure in its report. Companies required to comply with CSR shall include additional information on the aggregate expenditure on CSR activities by way of notes to the Statement of Profit and Loss. Schedule VII of the Companies Bill 2012 sets out the activities which companies may include in their CSR policies:

- Chronic hunger and poverty eradication;
- Education promotion;
- The promotion of gender equality and women’s empowerment
- Reduced child mortality and improved maternal health;
- Tackling human immunodeficiency virus, immune acquired
- Condition deficiency, malaria and other illnesses;
- Ensuring safe environment;
- Enhancing vocational job skills;
- Social enterprise projects;
- Contribution to the National Relief Fund of the Prime Minister or to any other fund established by the Central Government or the State Governments for socio-economic development and aid and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and; Certain items as indicated.
Sachin pilot, Corporate Relations Minister said there will also be a CSR body at national level for monitoring the activities. So that Central Govt plans to have a special purpose vehicle to monitor CSR Fund and Project expenditures. Govt wants to see best use of the CSR corpus.

**LIMITATION OF CSR POLICY**

- No incentive if company earns more than 2% of net profit.
- Carry forward such a donation which is not specified under the CSR provision. This means that any corporation will not be able to invest 2 percent of the total income of any financial year so that next year's spending will not be carried forward.
- Company does not have adequate profits or is unable to invest specified sums on CSR activities, the directors would be expected to provide the members with appropriate disclosure / reasons in their report.
- It is not clear whether the undertakings or charities established by Section 25 would be included in CSR.
- According to the proposed rules, activities aimed at eradicating extreme hunger and poverty; promoting education, gender equality and empowerment of women; reducing child mortality and improving maternal health; fighting HIV-AIDS, malaria and other diseases; ensuring environmental sustainability, increasing employment skills; and contributing to the National Relationship of the Prime Minister’s National Relief Fund or any other Central or state fund would be considered as CSR activity under the Act.

**REVIEW OF LITERATURE**

- According to Geoffrey Heal, CSR is an essential part of corporate strategy in sectors where discrepancies exist between corporate benefit and social goals, or where disagreement may exist over issues of fairness. There are growing social sectors where under CSR, business can play a valuable role and can generate social goods for their society. According to him, the CSR program can be a profitable element for corporate strategy, reducing risk management, generating brand equity, improving relationships with regulators, reducing capital costs, improving human relationships and productivity of employees, and maintaining relationships that are important for long-term profitability.

- CSR is emerging as a new area of management research according to Anupam Sharma And Ravi Kiran. In India, several businesses have taken the initiatives of CSR activities that have met varying societal needs. According to him, the number of IT and automotive industries is more likely to take on CSR initiatives whereas the sector of FMCG. Authors said that by participating in new CSR initiatives, India has entered or undergone a revolutionary transition.

- According to Kishor Neelakantan, the implementation of the company act 2013 would create a significant regulatory boost for CSR activities and this is compulsory for all companies operating in India. So it's good for economic growth but how does Shareholder think about it when assessing the company? According to the author, this framework suggests investors to assess the CSR activities of companies that are based on four main criteria-honesty, strategic focus, productivity and accountability.

- According to Rahul Hakhu business will look forward to implementing its corporate strategy and take the initiative to adapt it to the sector in order to gain competitive advantage and competitiveness in the face of a liberalized environment. He stresses that government requires companies to be more responsible for the country's economic development, and CSR growth contributes to the agrarian economy being transformed into the direction of industrialization. He proposed that CSR would include useful information about growth opportunities, credibility to Indian companies and other stakeholders.

**EXISTING CSR ACTIVITIES OF SOME COMPANIES**

- ONGC CSR ventures concentrate on higher education, awarding scholarships and supporting deserving young pupils from underprivileged parts of society, school building facilities etc.
- SAIL has actively taken action in the fields of environmental conservation, health and medical services, education, self-employment programs, sports and games etc.
- BHEL has established a CSR scheme and its mission statement on CSR is "Being a dedicated corporate citizen, alive towards his CSR." BHEL undertakes socio-economic and community development projects to facilitate village education, living standards improvement and hygiene.
- Reliance Industries has initiated a project called "Project- Drishti" to bring visually challenged Indians back from the economically weaker sections of society. So far, this project has brightened
the lives of more than 5000 people. This project also raises awareness about the imperative need for eye donation.

- Mahindra & Mahindra launched a unique type of ESOPs- Employee Social Option to allow Mahindra employees to engage in their choice of socially responsible activities. It also contributes under Mahindra Hariyali, the pride school for Mahindra, the Mahindra Education Trust. Over one million trees were planted across the country under Mahindra Hariyali, to increase the country’s green cover.

- Tata consulting services are India’s largest software service company and have been awarded the Asian CSR award for promoting community development work and introducing various projects and dedicating leadership and honesty as a continuing dedication to integrating ethical principles. The company’s primary emphasis lies in the education market. Company works on literacy program that cares for computer-based literacy model developed by TCS to teach adults and this software is recognized as an adult literacy software. The business also focused on environmental issues and developed goods and services that are environmentally friendly.

- Infosys: Infosys is a leading software company in the language and computer education sector. Company has a special program for unprivileged children, through which company teaches them different skills and also changes their outlook. Company also donates carom, chess board, chocolates etc. to the needy ones. CSR activity includes Blood donation camp and Infosys foundation worked in the healthcare, education, environmental preservation and social rehabilitation sectors.

- Wipro: The organization has conducted numerous women empowerment initiatives. Three key CSR programs cover the economic, education and energy conservation sectors.

- ITC: ITC Limited (ITC) is one of India’s leading private-sector companies with an assorted company portfolio. ITC operates with the ‘Triple Bottom Line’ principle which will lead to economic, environmental and social development. The company’s key emphasis is on rising agricultural production and helping the rural economy become more sustainable socially.

- Maruti Suzuki, an automotive corporation, is focused on global warming and global issues such as the climate change company has invested heavily in environmentally sustainable products and producing society's best goods. Maruti Suzuki works to conserve the environment and to preserve the natural environment. Company has promoted the concept of reduction, reuse, and recycling in all manufacturing units.

- Gail Ltd is the largest natural gas refining and distribution company operated by the State. This refers to GAIL charitable and educational fund pool, natural or catastrophe calamities, SC / ST minority group. Its aim to satisfy all stakeholders.

- IBM is a software company. Business is committed to enforcing its environmental policies, health care, providing its employee with hygiene and safety work place.

**CONCLUSION**

Nevertheless, some insights arise from the minimal experience of the last few years. Government implements CSR because they want the corporation to be more responsible for the corporation itself or its stakeholders. As we know, CSR gives the companies real opportunities to contribute to different programs that directly or indirectly support society's welfare. Corporations are a social organization and they have to take care of all stakeholders, it is important that they take charge of this duty in an effective manner so that all corporate members feel fulfilled. Since we know that corporations are not able to stand alone, they also need the support of their society as a whole which is important for their development and good will. Many large corporations are now taking steps to improve their social and environmental performance by using voluntary initiatives such as codes of conduct, environmental certification and reporting, social audits, fair trading schemes and social investment program. Corporations and government need to work together and will make drastic improvements to society's welfare systems through this.

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