Understanding Corporate Social Responsibility: For making a better world

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Abstract:

Corporate Social Responsibility (CSR) has been defined as the business practices involving the initiatives that benefit the society. CSR portion of a business can help in implementing greener business operations. It is still at a budding stage in India. It still has to get a wide-spread recognition in the work environment of India. A few broad practices being taken up by the business houses are environmental efforts, philanthropy, ethical labor practices and volunteering. CSR is becoming main stream with forward thinking business as they believe in sustainability and to create shared value for business and society. As per new law of Companies Act 2013, CSR provisions are making it evolve as a new tool for the upliftment of the society. This paper is an attempt to identify the outcomes, issues and challenges of CSR.

Introduction:

The importance of Corporate Social Responsibility (CSR) emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Companies have become more transparent in accounting and display 'public reporting' due to pressures from various stakeholders. Corporate Social Responsibility has been defined as the business practices involving the initiatives that benefit the society. CSR portion of a business can help in implementing greener business operations. It is still at a budding stage in India. It still has to get a wide-spread recognition in the work environment of India. A few broad practices being taken up by the business houses are environmental efforts, philanthropy, ethical labor practices and volunteering. CSR is becoming main stream with forward thinking business as they believe in sustainability and to create shared value for business and society. As per new law of Companies

Act 2013, CSR provisions are making it evolve as a new tool for the upliftment of the society. This paper is an attempt to identify the outcomes, issues and challenges of CSR.

Objectives:

➢ To study and document the Corporate Social Responsibility status in India.

➢ To understand policies governing Corporate Social Responsibility in India.

➢ To elaborate the challenges faced by Corporate Social Responsibility in India.

➢ To make conclusion and suggestions for accelerating Corporate Social Responsibility initiatives.

Research Methodology:

The research paper is an attempt of exploratory research.Secondary analysis of the incredible amount of data available online on internet was done. It involved extensive review of the data from existing literature sources like journals, research articles, chapters in the books, newspaper articles and innumerable Government of India reports from various Ministries. The methodology has allowed bringing major issues and policy decisions to the forefront.

CSR concept, definitions:

In India, the ethical model promoted by Mahatma Gandhi during 1930s is well known which stated the role of family-run-businesses conducting social and economic activities. This was followed by the Statist model propounded by Pt. Jawaharlal Nehru. In this model, state-driven policies included state ownership and extensive corporate regulation and administration. At the global level, the first attempt to define CSR is contributed by many to Howard Bowen's Social Responsibilities of the Businessmen (1953) who questioned the status and degree of

responsibilities that business people should accept. Milton Friedman introduced liberal model which stated that corporate responsibility primarily focus on owner objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests. During 1980s, the CSR concept grew to put together corporate objectives with the social responsibility of business thereby making it conscientious to care for environment, employees and also make good profits. In the 1990s, Peter Ducker and many other authors propagated CSR as a part of corporate strategy. The approach to CSR has also changed from Agency theory to Stakeholder theory. Again, the stakeholder model emphasizes on survival of the corporation which throngs upon not only the responsibility towards shareholders but also towards employees, governments and customers. CSR is interchangeably used with several terms like business ethics, corporate citizenship, social and environmental responsibility, corporate sustainability.

World Business Council for Sustainable Development define CSR as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." The European Commission's definition of CSR is: "A concept whereby companies integrate social and environmental."According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders."

Today the concept of CSR has undergone radical change. It has integrated social as well as environmental issues into their missions and decisions. Companies take keen interest in informing about their CSR activities to their stakeholders as well. Across the globe, business enterprises have undertaken CSR initiatives are in the areas of water conservation, healthcare, rural welfare, environment protection, poverty alleviation, education, community investment projects, culture and heritage, bio-diversity, disaster management and relief, culture and heritage, green environment, product responsibility, governance, waste management and gender equality.

Definition of the term CSR: The term CSR has been defined under the CSR Rules of Companies act 2013 U/S 135 and Schedule VII which includes but is not limited to:

- Projects or programs relating to activities specified in the schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in accord with the CSR policy.

CSR in India:

With time, the development of CSR has changed from being philanthropic to socially responsible to multi stake holders. The era of 1960s and 1970s saw an appearance of CSR activities being inherent in corporate philanthropy. (Mohan, 2001).India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. 'It is observed that reporting is strongly followed by companies as well as they seek international development standards. It could be attributed to the Indian government compelling the public sector companies to provide for community investment and other environmental, social and governance liabilities.

A key finding of the survey conducted in June 2008, aimed at understanding of the role of corporations in CSR, carried out by TNS India (a research organization) and the Times Foundation, discovered that over 90 per cent of all major Indian organizations surveyed were involved in CSR activities. Besides the public sector, it was the private sector companies that played leading role in CSR activities. A study on the CSR activities of 300 corporate houses, conducted by an industry body in June 2009, revealed that Corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. The study also revealed that about 36 per cent of the CSR activities are concentrated in the state,

followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development

Another study conducted by Economic Times revealed that donations provided by listed companies grew by 8 per cent during the financial year 2008-2009 and that 760 companies donated US$ 170 million in the same year, up from US$ 156 million in the year-ago period. As many as 108 companies donated over US$ 216,199, up 20 per cent over the previous year.

CSR Controversy:

With new law in place the major fears are that companies would find ways of avoiding shelling out for good causes appear equally well-founded. A survey by accountancy firm KPMG found that 52 of the country's largest 100 companies failed to spend the required 2% last year. A smaller proportion has gone further, according to an Economic Times investigation, allegedly cheating the system by giving donations to charitable foundations that then return the monies minus a commission.

India boasts a handful of family-led conglomerates with a long tradition of philanthropy. "Charitable giving used to be a big reputation builder for us," says a sustainability director in one such firm, "now it's just about legal compliance". In a number of cases, he adds, companies that were giving more than 2% have scaled back their charitable spend.

Those who believe CSR needs to be embedded through the whole business, not just philanthropy, argue that companies must go further. "The focus is now on how much money you give to what cause and the whole question of how you make that money is totally ignored" says RuchiraGujral, Unicef's corporate engagement specialist.

This business rationale to corporate responsibility is now at risk of being lost, argues VikasGoswami, head of Godrej Industries' sustainability programme. "For most organisations,

the discussion at board level is now not about what we do, but does it count as CSR and does it meet the legal requirements," she says.

Measures by Government for CSR:

In 2009, the government made it obligatory for all public sector oil companies to spend 2 per cent of their net profits on CSR.New Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business" The concept of CSR rests on the beliefs of give and take. Companies take resources in the shape of raw materials, human resources etc from the society. By performing the duty of CSR activities, the companies are giving something back to the society. Ministry of Corporate Affairs has recently 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.

Applicability: Section 135 of the Companies Act 2013 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.

CSR Committee and Policy: Every qualifying company is required to spend at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company are required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall prepare 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 take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

Stock ExchangeBoard of India(SEBI), as per its notification on August 13, 2012, has mentioned that enterprises are accountable to the larger society and "adoption of responsible business practices in the interest of the social set-up and the environment are as important as their financial and operational performance". SEBI has mandated the inclusion of Business Responsibility Reports as part of the annual reports of the Top 100 listed entities based on market capitalization at Bombay stock exchangeand National Stock Exchange. In 2016, SEBI extended this requirement to the Top 500 listed companies.

CSR Initiatives:

Activities under CSR: 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, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, 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 and relief and funds for the welfare of the backward classes, minorities and women and such other matters as may be approved.

Local Area: Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also select to connect with 2 or more 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 is to be undertaken, prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create share value.

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 but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

Few Examples:

 Reliance Industries and two Tata Group firms—Tata Motors and Tata Steel—are the country's most admired companies for their corporate social responsibility initiatives, according to a Nielsen survey released in May 2009.

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 tribals in the Sasan area of Gir forest.

The financial services sector is going green in a steady manner. With an eye on preserving energy, companies have started easing the carbon footprint in their offices. The year 2009 witnessed initiative including application of renewable energy technologies, moving to paperless operations and recognition of environmental standards. Efforts by companies such as HSBC India, Max New York Life and Standard Chartered Bank have ensured that the green movement has kept its momentum by asking their customers to shift to e-statements and e-receipts.

A more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

Mahindra & Mahindra carries out different CSR activities which focus on girl child, farmers and youth through programmes in domains like public health, education and environment.

Also, corporates increasingly join hands with non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems. Greenply Industries Limited under the leadership of Shobhan Mittal, CEO and joint-Managing Director, formed Greenply Foundation to carry out CSR activities. Greenply CSR has partnered with Rural Development Institute (RDI) of the Himalayan Institute Hospital Trust (HIHT) and initiated a healthcare in Tizit, Nagaland which aims to influence reproductive and sexual health behavior of women and adolescents .

Another initiative of Greenply Foundation is the 'Carpenter Guru' mobile application which is a part of the Carpenter Training programme designed and implemented by the Foundation. Training is conducted by the Foundation, in order to equip them with modern carpentry techniques, knowledge of modern material and skills to improve their livelihoods. More than 1,500 carpenters and contractors across Delhi, Kolkata and Bhopal have directly benefitted from this training program so far.

Challenges of CSR:

India is the first country to mandate a minimum spend on corporate social responsibility initiatives. India is the first country in the world to protect corporate giving into law. Following a change in company law in April 2014, businesses with annual revenues of more than 10bn rupees (£105m) must give away 2% of their net profit to charity. Areas they can invest this money in include education, poverty, gender equality and hunger. Overall charitable spend by companies has increased. According to independent reports, the private sector's combined charitable spend jumped from an estimated 33.67bn rupees (£357.5m) in 2013 to around 250bn rupees (£2.63bn) after the law's enactment.

"The so-called 2% law has brought CSR [corporate social responsibility] from the fringes to the boardroom," argues Bimal Arora, chair of the Delhi-based Centre for Responsible Business.

"They now have to think seriously about the resources, timelines and strategies needed to meet their legal obligations."

Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies' decisions-making in this direction. It has become imperative to incorporate stakeholders' views.In India the CSR managers face number of challenges in supervising CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absence of training and undeveloped staff are additional problems for reduced CSR initiatives. General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it.The increasing demand for more transparency and accountability on the part of the companies and disclosure of information through formal and improved reporting is also inevitable for the companies. The more the open and honest disclosure, the stronger and trusting relationships can be built with the stakeholders and consumers.

Conclusion:

CSR has gone through many phases in India. The concept has undergone radical change, it has integrated social as well as environmental issues into the missions and decisions of corporates . Companies take keen interest in informing about their CSR activities to their stakeholders as well.The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporate. Not one but many corporate are trying to bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government needs to be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

CSR strategies has to become central to business strategy and part of the long-term planning process. For this, the companies can set a network of activities to be taken up in a consortium to tackle major social and environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organization needs to recognizetheir own role in promoting CSR. Companies can also aim to provide wider professional development activities.

Training, conferences and seminars could be organized by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support to CSR policies would definitely help to grow this sector. Research related to processes and area where the support can be provided would enhance the corporates' contribution further. Government regulations which are supporting in this direction will also attract more response from organizations.

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. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities. Overall, CSR should be seen by both corporate and government as a part of philanthropy in which corporations boost the social development to support the initiatives of the government.

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