



## Corporate social responsibility in India: A review

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### Abstract

Today, CSR in India has gone beyond simply charity and donation is approached in more organized fashion. Corporate Social Responsibility (CSR) is a concept, which states that private corporation or public organization has a responsibility to society. It minimizes the risk by increasing the brand value and reputation of the company. It has become an integral part of the corporate strategy. Companies have CSR teams that formulate specific policies, strategies and goals for their CSR programs and set aside budget to support them. The CSR activities need to be in tune with effective strategic policies so that the aim of sustainable environmental, social and economic progress may be achieved. This paper analyzes the fundamental prototype of corporate social responsibility and the new practices being applied for its implementation in the last decade in India. This paper focuses on the benefits of CSR in India. This paper will help the society in moving forward where the role of corporate will be clearly defined and the corporate will be made accountable and responsible.

**Keywords:** corporate social responsibility, corporate, responsibility, initiatives, challenges, business

### Introduction

Corporate Social Responsibility is becoming an increasingly important activity to business. The term "Corporate Social Responsibility" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. It may also be referred to as "Corporate Citizenship" and can involve incurring short term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. Corporate social responsibility focuses on the wealth creation for the optimal benefit of all stakeholders including shareholders, customers, environment, employees and society. Corporate social responsibility is not a new concept in India, however, the ministry of Corporate Affairs, Government of India notified the section 135 of the Companies Act, 2013 along with company rules 2014 "herein after CSR rules and other notifications related there to which makes it mandatory from 1<sup>st</sup> April 2014 for a particular class of companies. CSR activities can be beneficial for both the organization and the society. One side the society gets a lot of benefit from organization like social welfare, financial assistance for poor people, green environment, charity and donation for social upliftment, education welfare, women empowerment, rural development etc, other side organization also get many benefits in return like financial benefit, market growth, employee loyalty, improved government relation, customer trust, etc.

### Objectives of the Study

- To develop an understanding of concept of corporate social responsibility and its evolution in India.
- To find out the changing pattern of CSR from the olden days to the days of globalization
- To study the benefits of CSR.

### Development of Corporate Social Responsibility in India

The concept of CSR in India is not new. The process though acclaimed recently has been followed since ancient times informally. Philosophers like Kautilya from India and pre-Christian era philosophers in the west preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in much of the ancient literature. The idea was also supported by several religions where it has been intertwined with religious laws. Hindus follow the principle of "Dharmada". Similarly in Sikhism provision of free "langar-food and shelter" in the "Gurudwaras" and "zakaat" followed by Muslims is donation from one's earnings which is specifically given to the poor and disadvantaged. The following four phases of CSR development in India are as follows:

### Four Phases of CSR Development in India

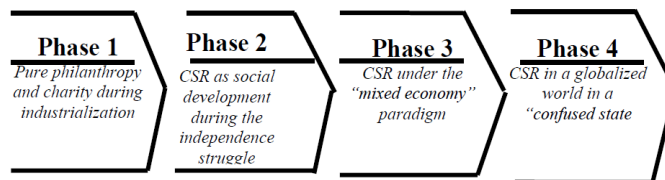


Fig 1

### Phase 1 (1850-1914)

The first phase of CSR is known for its charity philanthropic nature. CSR was influenced by family values, traditions, culture and religions, as also industrialization. The wealth of businessmen was spent on the welfare of the society. In pre-independence times the pioneers of industrialization like Tata, Godrej, Bajaj, Birla promoted the concept of CSR by setting up charitable foundations, educational and healthcare institutions and trusts for community development.

### **Phase2 (1914-1960)**

The second phase of Indian CSR was dominated by the countries struggle for independence and influenced by Gandhi's theory of trusteeship. During the struggle for independence, Indian business actively engaged in the reform process. According to Gandhi, companies and industries were the "temples of modern India". He influenced industrialist to set up trust for colleges and research and training institutions. These trusts were also involved in social reforms like rural development, education and empowerment of women.

### **Phase 3 (1960-1980)**

This phase was characterized by the emergence of PSUs (Public Sector Undertakings) to ensure better distribution of wealth in society. The policy on industrial licensing and taxes, and restrictions on the private sector resulted in corporate malpractices which finally triggered suitable legislation on corporate governance, labor and environmental issues. Since the success rate of PSUs was not significant there was a natural shift in expectations from public to private sector, with the latter getting actively involved in socio-economic development. In 1965, academicians, politicians and businessmen conducted a nationwide workshop on CSR where major emphasis was given to social accountability and transparency.

### **Phase 4 (1980 Onwards)**

In this last phase CSR became characterized as a sustainable business strategy. The wave of liberalization, privatization and globalization (LPG), together with a comparatively relaxed licensing system, led to a boom in the country's economic growth. This further led to an increased momentum in industrial growth, making it possible for companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

### **Corporate Social Responsibility under Companies Act 2013**

Corporate Social Responsibility (CSR) assumes significance as it permits companies to engage in projects or programs related to activities related to social welfare and improvement enlisted under the terms of Companies Act, 2013. There is an element of flexibility in company activities by allowing them to select their preferred CSR engagements that are in agreement with the overall CSR policy of the company.

### **Applicability of Corporate Social Responsibility to Companies**

Corporate Social Responsibility is required for all companies viz. private limited company, limited company. The following companies are necessary to constitute a CSR committee:

- Companies with a net worth of Rs. 500 crores or greater, or
- Companies with a turnover of Rs. 1000 crores or greater, or
- Companies with a net profit of Rs. 5 crores or greater

If any of the above financial strength criteria are met, the Corporate Social Responsibility (CSR) provisions and related

rules will be applicable to the company. These companies are required to form a CSR committee consisting of its directors. This committee oversees the entire CSR activities of the Company.

### **Role of Board of Directors in CSR**

The board of directors of a company plays a significant role in CSR activities of the company. The role of Board is as follows:

- Approval of the CSR policy.
- Ensuring its implementation.
- Disclosure of the contents of CSR policies related to its report.
- Placing the same on Company's website.
- Ensuring that statutory specified amount is spend by the company with reference to CSR activities.
- It's significant to note that there is no penalty if the particular amount is not spent on CSR activities. In such case, the board's report must identify the reason for such short spending.

### **CSR Committee and Policy**

All qualifying company required to have a CSR committee are required to spend at least 2% of its average net profit for the directly preceding 3 financial years on CSR activities. Additionally, the qualifying company shall be necessitated to comprise a committee (CSR Committee) of the Board of Directors (Board) comprising of 3 or more directors. The CSR Committee will prepare and recommend to the Board, a policy which will specify the activities to be undertaken (CSR Policy); advocate the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy related to the company. The Board will take into account the recommendations made by the CSR Committee and support the CSR Policy of the company.

### **CSR Activities**

The following activities can be performed by a company to accomplish its CSR obligations:

- Eradicating extreme hunger and poverty
- Promotion of education
- Promoting gender equality and empowering women
- Reducing child mortality
- 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 Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

### **An Overview of Csr Practices of Some Indian Companies**

- **ONGC and Indian Oil Corporation** has been spending 0.75-1 % of their net profits on CSR activities. ONGC's

CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.

- **SAIL** has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water
- **BHEL & Indian Airlines** have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants
- **Reliance Industries** initiated a project named as “Project-Drishhti” 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.
- **Mahindra & Mahindra** launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
- **GlaxoSmithKline Pharmaceuticals**’ CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.
- **Bajaj Electricals Ltd** corporate social responsibility activities include Education, Rural Development & Environment.
- **Tata consultancy services** is India’s largest software service company and has won the Asian CSR award for initiating community development work and implementing various programs and devoting leadership and sincerity as ongoing commitment in incorporating ethical values. Major focus of the company is on education sector. Company is working upon literacy program that cares TCS designed computer based literacy model to teach adults and this program is known as an adult literacy program.
- **Infosys**: As a leading software company Infosys is into the providing language and computer education. Company has special program for unprivileged children by which company teaches them various skills and change their outlook too. Company also donates carom, chess board, chocolates etc. to the needy ones.
- **Wipro Cares**: Focus area of Wipro cares is on taking educational and health care initiatives for migrated communities and environmental issues and disaster rehabilitation.
- **ITC**: ITC Limited (ITC) is among one of India's leading private sector companies having a assorted portfolio of businesses. ITC is working with the concept of ‘Triple bottom line’ that will contribute to the growth of economy, environment and social development. Major focus area of the company is on raising agricultural productivity and helping the rural economy to be more socially inclusive.
- **Maruti Suzuki** a automobile industry works upon global warming and global issues like climate change Company has been strongly investing on environmental friendly products and manufacturing best products for the society. Maruti Suzuki is working upon conserving environment

and preserving natural environment. Concept of reduce, reuse and recycle has been promoted by company in all the manufacturing units.

### **Advantages of CSR**

#### **To the Company**

1. Improved financial performance
2. Lower operating costs
3. Product safety and decreased liability
4. Workforce diversity
5. Access to capital
6. Reduced regulatory oversight
7. More ability to attract and retain employees
8. Greater productivity and quality
9. Increased sales and customer loyalty
10. Enhanced brand image and reputation.

#### **To the Community and the General Public**

1. Corporate involvement in community education, employment and homelessness programs
2. Product Safety and quality
3. Charitable contributions
4. Employee volunteer programs

#### **Environmental advantages**

1. Greater material recyclability
2. Greater use of renewable resources
3. Better product durability and functionality
4. Integration of environmental management tools into business plans.

### **Conclusion**

The study shows CSR has gone through the many phase of development from the old era to globalization era. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. Business houses in India are increasing in realizing their stake in the society and engaging in various social and environmental activities. CSR holds a very important place in the development scenario of India today and can create as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and focused on what really matters. CSR has come a long way in India. Effective partnerships between corporate, NGOs and the government will place India’s social development towards tremendous growth. Corporate and government must work together and through this, they can bring dramatically changes in the welfare schemes of society.

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