

CORPORATE SOCIAL RESNPNOSIBILITY

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Abstract :

A robust and thriving development sector is central to India's quest for equitable, inclusive and sustainable growth. India's development sector has evolved substantially over the last few decades and is now witnessing unprecedented interest and investments across the value chain. With the passage of the Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the Boards of Indian companies. The industry has responded positively to the reform measure undertaken by the government with a wide interest across the public and private sector, Indian and multinational companies.

INTRODUCTION :

CORPORATE SOCIAL RESNPNOSIBILITY:

India is a country of myriad contradictions. On the one hand, it has grown to be one of the largest economies in the world, and an increasingly important player in the emerging global order, on the other hand, it is still home to the largest number of people living in absolute poverty (even if the proportion of poor people has decreased) and the largest number of undernourished children. What emerges is a picture of uneven distribution of the benefits of growth which many believe, is the root cause of social unrest.

Companies too have been the target of those perturbed by this uneven development and as a result, their contributions to society are under severe scrutiny. With increasing awareness of this gap between the haves and the have-nots, this scrutiny will only increase over time and societal expectations will be on the rise. Many companies have been quick to sense this development, and have responded proactively while others have done so only when pushed.

Governments as well as regulators have responded to this unrest and the National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business or the NVGs (accompanied by the Business Responsibility Reports mandated by the SEBI for the top 100 companies) and the CSR clause within the Companies Act, 2013 are two such instances of the steps taken. According to Indian Institute of Corporate Affairs, a minimum of 6,000 Indian companies will be required to undertake CSR projects in order to comply with the provisions of the Companies Act, 2013 with many companies undertaking these initiatives for the first time. Further, some estimates indicate that CSR commitments from companies can amount to as much as 20,000 crore INR.

This combination of regulatory as well as societal pressure has meant that companies have to pursue their CSR activities more professionally. This paper attempts to bring together good practices of companies and grant-making foundations so as to assist companies pursue their CSR activities effectively, while remaining aligned with the requirements of the Companies Act, 2013.

According to the UNIDO3, "Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the

expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.”

LAWS RELATING TO CSR:

In India the CSR concept is governed by “The Companies Act, 2013” under Section 135 of the Act, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013 and applicable to the class of Companies w.e.f from 1st April, 2014. The class of 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 are made to spend at least 2% of their average net profit in the previous three years on CSR activities.

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 Environmental Social & Governance 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 National Voluntary Guidelines 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.

ROLE OF BOARD AS DEFINED UNDER THE COMPANIES ACT:

- a) Form a CSR committee
- b) Approve the CSR policy
- c) Ensure implementation of the activities under CSR
- d) Ensure 2% spend
- e) Disclose reasons for not spending the amount (if applicable)

ROLE OF CSR COMMITTEE:

- a) Three or more directors with at least one independent director
- b) Formulate and recommend a CSR policy to the board
- c) Recommend activities and the amount of expenditure to be incurred
- d) Monitor the CSR policy from time to time

IMPACT OF LAW:

CSR is not a new concept in India, Corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Several other organizations have been doing their part for society through donations and charity events. Since its mandatory now many corporates **to comply or to serve the society have come up with various CSR activities some of them are as follows:**

- a) Organizations like **Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited**, focus holistic development in the villages they have adopted. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills.
- b) **Reliance Industries** initiated a project named as “Project- Drishti” 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.
- c) **GlaxoSmithKline** Pharmaceuticals’ CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-ups and treatment, health camps and health awareness programs.
- d) **SAP India**, in partnership with Hope Foundation (an NGO that works for the betterment of India’s poor and the needy) throughout India, has been working on initiatives for short and long-term rehabilitation of the tsunami victims.

e) 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 tribal in the Sasan area of Gir forest.

f) The financial services sector is going green in a steady manner. 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.

g) **The Tata Steel Rural Development Society** aims to improve agricultural productivity and raise farmers' standard of living.

h) **Oil & Natural Gas Corporation** offers community-based health care services in rural areas through 30 Mobile Medicare Units (MMUs). The ONGC-Eastern Swamp Deer Conservation Project works to protect the rare species of Eastern Swamp Deer at the Kaziranga National Park in Assam.

i) **Infosys**: The Infosys Science Foundation, set up in 2009, gives away the annual Infosys Prize to honour outstanding achievements in the fields of science and engineering. The company supports causes in health care, culture and rural development.

INDIA AND CSR:

After the law being enforced the survey was conducted by **Times of India group on CSR** used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally 82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. The respondent organizations form a satisfactory percentage of 33 per cent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey. The survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country. Responses obtained from the participating organizations have been collated and broadly categorized by the research team. Some of these challenges are listed below:

a) **Lack of community participation in CSR activities**: There is a lack of interest of the general public in participating and contributing to CSR activities of companies. CSR is largely misunderstood by Indian businesses and their stakeholders. There is a view that businesses are already socially responsible, when they are clearly not. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

b) **Need for capacity building of the local non-governmental organizations**: There is a need for capacity building of the local non-governmental organisations as there is serious dearth of trained and efficient organisations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

c) **Issues of transparency**: Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilisation of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

d) **Non-Availability of Well Organized Non-Governmental Organizations**: It is also reported that there is non-availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

e) **Visibility Factor**: The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

CONCLUSION:

After a detailed discussion we can state that CSR clearly impacts our corporations, society, and educational organizations. Despite its complexities, the numerous sustainability initiatives point toward continued, positive impact. CSR policy should function as a built-in, self-regulating mechanism whereby businesses would monitor and ensure their adherence to law, ethical standards and international norms. In the recent years corporate business houses have substantially involved towards societal responsibilities. Companies have started to realise the importance of CSR and initiating the steps towards it.

It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. It is difficult for one single entity to bring about change, as the scale is enormous. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track. The CSR regime in India is in a nascent stage and there will be hitches, and a lot of fine-tuning will be required before we hit the perfect balance. What is commendable is the spirit with which India has made her corporates socially responsible and in that, led the world's most developed nations.

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