

Corporate Social Responsibility - An Indian Outlook

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Abstract

Corporate Social Responsibility (CSR) is becoming a strategic positioning tool for several corporates within and outside India. CSR concept is not new but evolved as a business responsibility to society during 1950s. Traditionally, for Indian Business Society/corporates the CSR is nothing but a humanitarian activity in addition to caring their stockholders, in current years there is a sea change witnessed with community developmental activities like education etc.

In order to strengthen its significances, Schedule VII of the Companies Act, 2013 provides a detailed list of CSR activities for the Large, and Small and Medium Enterprises. The days have gone like MNCs acquiring Indian companies and rule the Indian Market. Now, Indian Companies are becoming MNCs by acquisitions of other countries' domestic companies and it is necessary to adopt CSR. Global guidelines, framework, tools and techniques are brought by the institutions like UNGC, ILO, OECD, Institute of Social and Ethical Accountability, Social Accountability International, etc., are the broader outlines available so that these companies can align their CSR policies globally.

This study painstakingly attempts to bestow the concept of CSR in Global context in general and Indian context of CSR in particular; it also highlights the provision of CSR under the 2013' Act, Diverse aspects of CSR and conclusion

Key Words- Corporate Social Responsibility (CSR), humanitarian activity, Global context, Indian context,

Objectives of the Study

- This article explains the notion of Corporate Social Responsibility (CSR) and the current landscape of CSR in India as introduced by The Companies Act 2013.
- It highlights the diverse aspects of corporate social responsibility.

Introduction

Corporate social responsibility (CSR) is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.

Corporate social responsibility (CSR) refers to efforts by businesses to work with stakeholders in achieving better economic, environmental and social performance which is also known as triple bottom line but also identified as corporate citizenship or sustainability. The practice of CSR firms acknowledges the evolving social contract companies enter into voluntarily as a part of doing business. The nature and extent of a company's corporate citizenship, however, varies depending on company size, industry or business scope.

Global Perspective of CSR

Companies have an impact on social development where they operate. They therefore have a responsibility that extends beyond value creation. CSR is a matter of clarifying exactly what this responsibility entails and how it can best be fulfilled. There are examples of companies that are profitable in financial terms, but whose activities may be damaging to both employees and the local community. The ethical aspects of CSR have become more apparent as a result of globalisation.

In recent years, CSR has come to encompass more. This relates to the increasing influence of the private sector as a result of globalisation, and the opportunities and challenges associated with this. Corporate social responsibility, with its attendant norms and standards, is evolving constantly as new knowledge is acquired.

The ethical basis for CSR derives from the inviolability of human dignity. Just as politics is not an end in itself, but a means of promoting social change for the benefit of the people and the environment, a company's profits or activities are not goals that can be viewed in isolation from other considerations. Economic activities also require an ethical foundation that puts people, the environment and broader social considerations at centre stage. In recent years, there have been a number of cases that have shown the importance of CSR, as well as the negative consequences for individuals, society and the environment when companies do not conduct their operations in a responsible manner.

At the core of the concept lies the responsibility of companies towards people, society and the environment that are affected by their activities. Companies that deal with their social responsibility in a forward-looking manner ensure that becomes an integral aspect of their corporate governance.

CSR has clearly established as a line management responsibility, and followed up on an ongoing basis by the company's senior management and board.

Indian Context of CSR

CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

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.

Overview of the Companies Act 2013

The Companies Act, 2013 ('2013 Act'), enacted on 29 August 2013 on accord of Hon'ble President's assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhance the interests of minority investors and for the first time legislates the role of whistle-blowers. The new law will replace the nearly 60-year-old Companies Act, 1956 ('1956 Act').

The 2013 Act provides an opportunity to catch up and make our corporate regulations more contemporary, as also potentially to make our corporate regulatory framework a model to emulate for other economies with similar characteristics.

The 2013 Act has introduced several provisions which would change the way Indian corporates do business and one such provision is spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been voluntary contribution, by corporates has now been included in law.

Highlights of the Provision Of CSR Under The 2013 Act

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013.

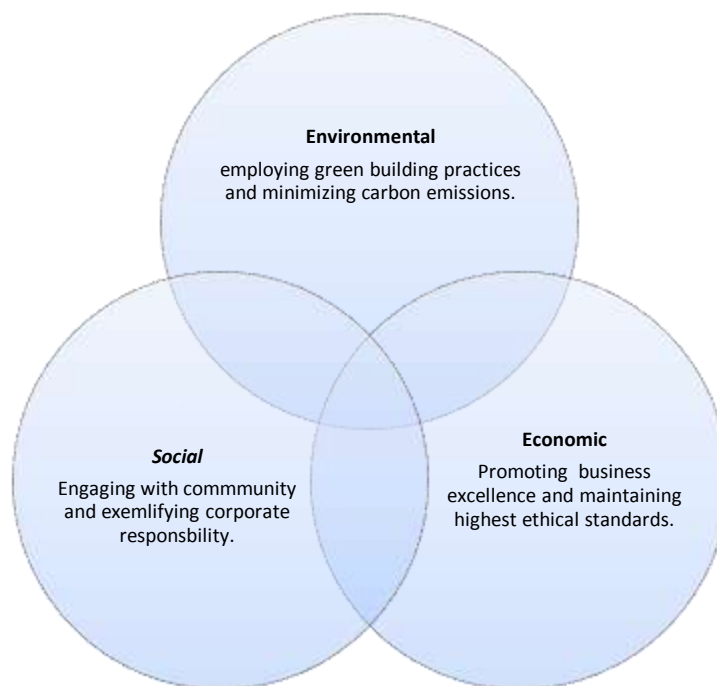
- The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director.
- The Act 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.
- The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities.
- 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.

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

- (i) Eradicating extreme hunger and poverty;
- (ii) Promotion of education;
- (iii) Promoting gender equality and empowering women;
- (iv) Reducing child mortality and improving maternal health;
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) Ensuring environmental sustainability;

- (vii) Employment enhancing vocational skills;
- (viii) Social business projects;
- (ix) 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
- (x) Such other matters as may be prescribed

Diverse Aspects of CSR



- **Social Aspect Of CSR**

The social aspect of CSR basically covers three major things i.e., human rights, labour policy and consumer protection. The involvement of various actors is necessary in order to ensure greater respect for human rights at the national and international level. Human rights are an expression of general moral obligations that apply to all members of society. Human rights seem to be mainly a concern for the banking sector and companies which

activities have a large impact on local communities, like mining activities. Well-known large MNCs are more confronted with human rights issues than smaller companies.

Companies active in the 'grey' industrial sector, such as the chemical industry, appear to be less focussed on human rights issues and more concentrated on environmental issues. This might be a result of the fact that these companies expect to run a larger risk with respect to their environmental performance than their social performance.

All companies pay attention to CSR aspects related to labour, but often selectively. Large MNCs have incorporated specific aspects into their code of conduct. For SMEs these aspects are part of their human resource policy. The Indian companies follow to a large extent the policy of the mother company, with the exception that local standards are used. While most companies consider the issue of child labour quite complicated in the Indian context, some of them have a policy that they do not allow child labour in their daughter or joint venture in India. Even companies with no CSR policy at all were very strict on this. Legislation does not always contain a minimum age, which gives companies a loophole to employ children.

In general, companies pay a lot of attention to product safety and quality in order to fulfil requirements of their buyers. Information towards consumers seems to be mainly focussed on product information and to a much lesser extent on processes.

- **Environmental Aspect of CSR**

Environmental principles are less specified in the CSR policy of companies than for example social principles. Most codes of conduct simply refer to respect for environment. A reasonable explanation is that a lot of environmental issues are regulated by law. Companies are therefore legally bound to implement measures. Indian legislation on environmental issues is also quite far developed, although several companies and stakeholders indicated that enforcement is a major bottleneck.

The private sector can help to mitigate environmental problems by making its own operations more eco-friendly and by making efficient use of resources. Companies can play a part by developing innovative processes or technology designed to minimise the use of scarce resources and reduce harmful emissions. Companies can also develop new, greener products and services to replace existing ones. They can make an important

contribution by collaborating with their supply chains and requiring their partners to meet high environmental standards.

- **Economic aspect of CSR**

In India contribution to the local community is seen as a part of the corporate responsibility of a company. Several companies, especially SMEs, mentioned that their mere presence in the country is a contribution to economic development. Employment generates a spin-off towards the local community, such as consumer spending, transport, real estate. This is especially so for the ICT sector in India. Increased export brings in foreign exchange. Companies introduce modern management styles into companies. These companies can be innovators towards other companies in the region and the government of India.

All companies say that they have a policy on corruption, either written or more informal. Their anti-corruption policy includes avoiding both to pay bribes to public officials or business partners and to demand bribes from others. Some work with a broader concept, especially banks. Developing countries try to attract foreign companies and investments by means of export promotion zones, where companies enjoy tax exemptions and other benefits. Due to these tax exemptions developing countries miss out on a lot of income. Apparently, this amount equals the amount of money they receive in the form of foreign developing aid.

Conclusion

CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. While CSR can be termed as a new management tool which seeks to analyze the concept whereby companies acts to balance their own economic growth with the sustainable social and environmental development of the country.

Now as far as the position of CSR in India is concerned, the new [Companies Act](#), has prescribed under the proviso that mid and large companies have to spend 2% of their three-year annual average net profit on [CSR](#) activities. The government expects a significant step up in spending on CSR projects by companies. Clause 135 introduced by the Companies Act 2013 would go a long

way in strengthening the social initiatives taken by the companies. Apart from boosting transparency and accountability, it would also open up the avenue for Corporate Social Responsibility Consulting. However, steps are required to be taken to sort out issues of penalties in the event of non disclosure, scope of Schedule VII, internal controls etc. If the law is followed in true letter and spirit, India Inc. would succeed in discharging its social responsibility in an effective and efficient manner.

The activities which can be included by companies in their CSR policies include: eradicating hunger, poverty, malnutrition and promoting preventive healthcare, promoting sanitation and availability of safe drinking water, promoting education, promoting gender equality, ensuring environmental sustainability, protection of national heritage.

The government has identified 10 major areas including education, gender equality, environment, national heritage and the Prime minister Relief fund where India Inc can spend to claim credit for the mandatory 2% Corporate Social Responsibility (CSR) expenditure.

In a nutshell it can be clearly perceived that CSR implementation is more related to moral commitments than profit maximization. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders. CSR is a genuine attempt on the part of big business to improve social, environmental and human rights conditions. CSR is an engine for social progress, it helps companies live up to their responsibilities as global citizens and local neighbours in a fast-changing world.

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