

“A STUDY ON CORPORATE SOCIAL RESPONSIBILITY”

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ABSTRACT

CSR involves applying the concept of sustainable growth to the corporate world. Companies that respect and listen to their stakeholders must naturally be concerned by their growth and prosperity, but they must also be aware of the economic, environmental, social and societal impacts of their activities. Too often, attaining corporate social responsibility is understood from the viewpoint of business generosity to community projects and charitable donations, but this fails to capture the most precious contributions that a company has to make. In general sense social responsibility is seen as the deposition of organizations to exhibit a ‘missionary’ rather than a ‘mercenary’ outlook to the society or environment in which they operate.

INTRODUCTION

Indian corporations, like those in other countries, have had a long custom of being engaged in social activities that have gone beyond meeting a corporation’s instant financial objectives. However, since the late nineties, CSR activities have increasingly come in the lens both of policy makers as well as of corporations’ stakeholders as governance issues acquired increasing importance. CSR involves applying the concept of sustainable growth to the corporate world. Companies that respect and listen to their stakeholders must naturally be concerned by their growth and prosperity, but they must also be aware of the economic, environmental, social and societal impacts of their activities. Too often, attaining corporate social responsibility is understood from the viewpoint of business generosity to community projects and charitable donations, but this fails to capture the most precious contributions that a company has to make. In general sense social responsibility is seen as the deposition of organizations to exhibit a ‘missionary’ rather than a ‘mercenary’ outlook to the society or environment in which they operate. CSR is a old concept in India, Corporate 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

FEW CORPORATE INITIATIVES RELATED TO CSR:

- 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 hygiene facilities, build schools and houses, and assist the villagers become self-reliant by teaching them vocational and business skills.
- Reliance Industries initiated a project named as “Project- Drishti” to bring backside 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.
- 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.
- 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.
- The Tata Steel Rural Development Society aims to get better agricultural productivity and raise farmers’ standard of living.
- 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.
- 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 growth.

At the policy level, the formal focal point on CSR started in India with the issuance of the Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009) that culminated in the enactment of Section 135 of the Companies Act 2013 (MCA, 2013) making CSR spending as well as CSR disclosure mandatory for specific types of companies. Significantly while CSR issues have been gaining in prominence across countries, India became the first country, and at the time this article is written, the only country to have made CSR activity mandatory for large and profitable companies incorporated into law. In all other countries CSR efforts by corporations have been kept mainly voluntary, with only a select number of countries mandating corporations to reveal such activities. Today, CSR in India

has gone beyond merely ‘charity and donations’ and is approached in a more organized fashion. It has become an integral part of the corporate strategy (Das Gupta 2010). Now a day’s companies have become more clear in their balance sheet. They are incorporating their corporate social responsibility initiative in their annual report. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes.

OBJECTIVES OF THE STUDY

1. To understand the concept of CSR.
2. To examine Corporate Social Responsibility Practices and its relevance on Business
3. Understand the dimensions of corporate social responsibility in India

RESEARCH METHODOLOGY

The research paper is an attempt of descriptive research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

CSR

As per Section 135 of the Act, companies with a specified net worth or turnover or net profit are required to mandatorily spend 2 percent of its average net profit towards specified CSR activities. Every company having net worth of INR 5000 million or more, or turnover of INR 10000 million or more or net profit of INR 50 million or more during any financial year will have to fulfill with the CSR provisions as laid down under the Act.

- If any of the above financial strength criteria is met, the qualifying company is mandatorily required to spend at least 2 percent of the average net profit¹ of past three financial years on specified CSR activities.
- While the threshold limit of net worth criteria and the turnover criteria are kept higher, the net profit threshold limit of mere INR. 50 million will bring majority of companies under the CSR net.
- Under the draft CSR rules, net profit is defined to mean ‘net profit before tax’ as per books of accounts and shall not include profits arising from branches outside India.

- While the reporting framework under the draft CSR rules suggest that the unspent amount of the specified CSR spend to be rolled over to the succeeding financial years, it does not clarify whether the excess spend of over and above 2 percent mandatory CSR spend in any particular financial year can be carried forward in succeeding financial year or not.

APPOINTMENT OF CSR COMMITTEE

Every qualifying company needs to constitute a CSR committee of the Board consisting of 3 or more directors². Though the CSR provisions under the Act required minimum 3 directors for constitution of CSR committee, the issue that needs to be clarified is whether qualifying private companies (which requires minimum two directors only) would be required to appoint one more director only to constitute CSR committee and comply with the CSR provisions.

The mandate of the said CSR committee shall be:

- To formulate and recommend a CSR policy to the Board;
- To recommend amount of expenditure to be incurred on CSR activities;
- To monitor the CSR policy of the company from time to time.
- In this context, the draft CSR rules specify that following should be included in CSR policy:
 - Details regarding list of projects / programs to be undertaken, modalities of execution, areas / sector chosen, implementation schedules, etc;
 - That the surplus arising out of the CSR activity will not be part of business profits of a company;
 - That corpus to include the following:
 - 2 percent of average net profits;
 - Any income arising there from;
 - Surplus arising out of CSR activities;

RESPONSIBILITY OF THE BOARD

The Board of every qualifying company is required to hold following responsibilities:

- To approve the CSR policies recommended by the CSR committee and disclose the contents of such policy in its report and place it on company's website;
- To make sure the CSR activities are undertaken by the company;
- To make sure 2 percent spending on CSR activities;
- To report CSR activities in Board's report and disclose non-compliance (if any) with the CSR provisions.

ACTIVITIES ELIGIBLE FOR CSR

Activities which may be considered as eligible CSR spend are provided in Schedule VII of the Act. The specified activities are as under:

- Environment sustainability
- Empowering women and promoting gender equality
- Education
- Poverty reduction and eradicating hunger
- Social business projects
- Reducing child mortality & improving maternal health
- Enhancement of health
- Imparting of vocational skills
- Contribution towards Central & State Government funds for socio-economic development and relief
- Such other matters as may be prescribed

THE RELEVANCE OF CSR WITHIN AN ORGANIZATION

It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR. The concept of corporate social responsibility is now firmly rooted on the global business agenda. Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

COMPANY BENEFITS

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and repute;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.

BENEFITS TO THE COMMUNITY AND THE GENERAL PUBLIC

- Charitable contributions;
- Employee volunteer programs;
- Corporate connection in community education, employment and homelessness programs;
- Product safety and quality.

ENVIRONMENTAL BENEFITS

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;

CONCLUSION

A strategic move toward to CSR is increasingly significant to a company's competitiveness. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. It also encourages further social and environmental responsibility from the corporate sector at a time when the crisis has damaged consumer confidence and the levels of faith in business.

CSR requires engagement with internal and external stakeholders so it facilitates enterprises to foresee better and take benefit of fast-changing expectations in society as well as operating conditions. This means it can also act as a driver for the growth of new markets and create real opportunities for development.

Corporate social responsibility (CSR) programs arose from the understanding that businesses function as a part of society—the success of each deeply affects the other.

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