

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN PRESENT SCENARIO

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Abstract

Traditionally, CSR in India has been seen as a charitable activity, it was an activity that was performed but not deliberated. Corporate Social Responsibility means "the responsibility of enterprises for their impacts on society". To completely meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders." This policy sets out the company's commitment and approach towards Social responsibility based on our legacy of "Giving Back to Society." The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. This Act has introduced several provisions which would change the way Indian corporate to do business and one such provision is spending on Corporate Social Responsibility (CSR) activities. Section 135 of this Act prescribes a mandatory CSR spend of 2 % of PBT for companies with net worth of Rs. 500 Crore or turnover of Rs. 1000 Crore or net profit of Rs. 5 Crore. CSR, which has largely been voluntary contribution, by corporate has now been included in law. CSR provisions, as laid down under the 2013 Act provide benefit to children, women, uneducated, and unemployed as CSR activities may be focused on them. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point.

Keywords: Corporate Social Responsibility, Companies Act, Binding force, Stakeholders, Enterprises.

INTRODUCTION

"Growth is important for the country and to my mind growth should be long term, sustainable, equitable but more importantly, growth should also be responsible."

Corporate social responsibility generally known as CSR, which means responsibility of corporation/companies towards society. CSR is a commitment to improve community well being through discretionary business practices and contributions of corporate resources. CSR now accepted as a means to achieve sustainable development of an organization. CSR may also 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 changes.

The WBCSD defines CSR as *“the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”*

Wood (1991) states that *“the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.”*

United Nations Industrial Development Organization (UNIDO), *“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 (Triple-Bottom-Line Approach), 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.”*

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board.

FOCUS AREA

In Accordance with the requirements of Companies Act, 2013, the Company’s CSR programs shall mainly focus on the following area:

- Vocation skill development programs.
- Partnership to preserve and promote indigenous heritage, culture, arts and handicrafts.
- Disaster relief and rehabilitation programs
- Income generation and livelihood enhancement programs.

However, the company may choose to undertake additional CSR activities falling under the purview of Schedule VII of the Companies Act, 2013.

The CSR Policy should normally cover following core elements:

1. Care for All Stakeholders

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

2. Respect for Employee’s Rights and Welfare

Companies should provide a healthy environment for the workers which include safe, hygienic, and humane condition which protect the dignity of employees. There are some basic rights of employees, which are necessary for their basic development such as-

- Access to training and development of necessary skills for career advancement

- Equal treatment
- Freedom of association
- Right to collective bargaining
- Effective grievance redressal system
- Abolition of child or forced labour
- No discrimination at the time of recruitment and during employment
- Security measures

3. Respect for Human Rights

Companies should respect human rights for all employees without any discrimination and avoid complicity with human rights abuses by them or by the outsider, So that employees can enjoy their basic rights.

4. Respect for Environment

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste as well as the e- waste, should manage natural resources in a sustainable manner and ensure most favorable use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

5. Activities for Social and Inclusive Development

Companies are not only for the profit but also responsible for the economic and social development of communities and geographical areas, particularly in the locality of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

CSR ACTIVITIES UNDER SCHEDULE VII OF THE COMPANIES ACT, 2013

- 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 Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and such other matters as may be prescribed.

CSR AND COMPANY ACT, 2013

The Companies Act, 2013 has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, and enhance the interests of minority investors. This Act has introduced several provisions which would change the way Indian corporate do business and one such provision is spending on CSR activities.

Section 135 of the Companies Act, 2013 states that every company having:

- net worth of Rs 500 crore or more, or
 - turnover of Rs 1000 crore or more ,or
 - net profit of Rs 5 crore or more during any financial year
- Shall constitute a **Corporate Social Responsibility Committee** of the Board:
- The committee would comprise of three or more directors, out of which at least one director shall be an independent director

- The Board of every company referred to above shall after taking into account the recommendations made by CSR Committee.

The mandate of the CSR committee shall be:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- To recommend the amount of expenditure to be incurred on the activities referred to above;
- To monitor the Corporate Social Responsibility Policy of the company from time to time, approve the CSR Policy for the company and disclose contents of such Policy in its report and also place it on the company’s website, and ensure that the activities as are included in CSR Policy of the company are undertaken by the company, and ensure that the company spends, in every financial year, at least 2% of the average net profits

If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount. “Average net profit” shall be calculated in accordance with the provisions of section 198 of the 2013 Act.

CSR BUDGET

The amount to be spent by the company shall be as stipulated under the Act, as amended from time to time. Presently 2% of the average net profits of the Company for the preceding three financial year and as approved by the Board. Any Surplus arising out of the CSR projects or programs or activities shall not form part of business profits of the Companies.

Table 1: Top 10 Companies in CSR activities during the 2016

S. No.	Company name	Ranking
1.	Tata Steel Ltd.	I
2.	Tata Power Company Ltd	II
3.	Ultra Tech Cement Ltd	III
4	Mahindra and Mahindra	IV
5	Tata Chemicals Ltd	V
6	ITC ltd	VI
7	Shree Cements Ltd	VII
8	Bharat Petroleum Corporation	VIII
9	Larsen and Toubro Ltd	IX
10	Infosys Ltd	X

Sources: <https://www.futurescape.in/india-top-companies-for-sustainability-and-csr-2016/>

METHOD USE FOR LISTING THE COMPANIES

This annual exercise undertaken in partnership with IIM Udaipur, Futurescape and Economic Times is an unbiased, quantitative and analytical examination of Indian sustainability reports, annual reports and business responsibility reports. It covers industries as varied as automobiles, banks, diversified, FMCG, infrastructure, information technology, metals and mining, oil, power, steel, pharmaceuticals, telecommunications and others.

This list is prepared on focusing the four main grey areas such as.

S. No.	Criteria	Percentage	Focus area
1	Governance	20%	How well is the governance for Sustainability and CSR structured? Board oversight of Sustainability and CSR issues

2	Disclosure	15%	How forthcoming are companies with respect to Sustainability and CSR activities and performance? Sustainability reports as per standards and Disclosure in financial filings
3	Sustainability	35%	How pervasive are sustainability practices of companies? Waste, Water, Energy - Programs and targets to reduce impact. Promoting sustainable products and services, sustainable supply chains, sustainable logistics
4	Stakeholders	30%	How well are key stakeholders (employees, community, customers and suppliers) integrated within a company's business responsibility framework?

Companies (Corporate Social Responsibility Policy) Rules, 2014 make provisions that board of Directors of the company shall, after taking into account the recommendation of CSR Committee, approve the CSR policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website, if any. So that everyone can take the benefits of those schemes.

CONCLUSION

A fine law must run like a golden thread in the fabric of society. CSR provisions inducted in new Companies Act are a worthy attempt in this direction. Being rational demands that when you are a part of society, when you are gaining profit from your society than you owe to them some responsibility too. Company Act, 2013 will be proving a mile stone for the companies. Section 135 of the Act provide mandatory provisions for the CSR and comes all the companies under the obligation to contribute in the society in different areas of education, health, child care, scholarship, agriculture etc as the corporate are also posses responsibility towards the society also. They are not only the profit making agencies. Moreover, CSR is the process by which an organization thinks about and evolves its relationship with the stakeholders for the common good and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies.

Thus CSR is not only a charity or mere donations but it is a way of conducting business, by which corporate entities visibly contribute to the social cause. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profit. They use CSR to integrate economic, environmental and social objectives with the company's operation and growth.

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