

A Critical Study on Implementation of Corporate Social Responsibility on Indian Companies

***Dr. Rekha**

Introduction

Corporate Social Responsibility (CSR) can be defined as a Company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies can fulfil this responsibility through waste and pollution reduction processes, by contributing educational and social programs, by being environmentally friendly and by undertaking activities of similar nature. CSR is not charity or mere donations. 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 is said to increase reputation of a company's brand among its customers and society. India's new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business" Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. By performing the task of CSR activities, the companies are giving something back to the society.

Historical Background

India has the world's richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. CSR in India has evolved through different phases, like community engagement, socially responsible production and socially responsible employee relations. Its history and evolution can be divided into four major phases.

The first phase of CSR is known for its charity and philanthropic nature. CSR was influenced by family values, traditions, culture and religion, as also industrialisation. The wealth of businessmen was spent on the welfare of society, by setting up temples and religious institutions. In times of drought and famine these businessmen opened up their granaries for the poor and hungry. With the start of the colonial era, this approach to CSR underwent a significant change. In pre-Independence times, the pioneers of industrialisation, names like Tata, Birla, Godrej, Bajaj, promoted the concept of CSR by setting up charitable foundations, educational and healthcare institutions, and trusts for community

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development. During this period social benefits were driven by political motives.

PHASE 2 (1910 TO 1960) The second phase was during the Independence movement. Mahatma Gandhi urged rich industrialists to share their wealth and benefit the poor and marginalised in society. His concept of trusteeship helped socio-economic growth. According to Gandhi, companies and industries were the 'temples of modern India'. He influenced industrialists to set up trusts for colleges, and research and training institutions. These trusts were also involved in social reform, like rural development, education and empowerment of women.

PHASE 3 (1950 TO 1990) This phase was characterised 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, labour 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 characterised as a sustainable business strategy. The wave of liberalisation, privatisation and globalisation (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.

CSR REPORT

The Board of Directors of a corporate company has certain functions regarding their CSR. One among many duties is the formation of an annual CSR Report, which is nothing but a detailed statement of compliances of the CSR and the CSR policy.

1. As mentioned in Rule 8 and Sub-Section 3 of Section 135 of the Companies Act, 2013, the Board ought to report on the constitution of a CSR Committee, and other details. A Certificate constitution of the company's CSR Committee.
2. A summary of the company's CSR Policy, the social responsibility projects or duties undertaken by the company, etc.
3. A statement is showing the net profits of the company for the previous three financial years.
4. The proposed expenditure, which should be at least 2% of the net profit.
5. Expenditure details of the budget allocated to the CSR programs.

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CSR as a strategic philanthropy

1. It was more of a philanthropic exercise and had nothing to do with business. It was more like an institution building exercise like building research and educational institutes. The thinking has now changed, and corporates have started to view CSR as strategic philanthropy linked with responsibility and veering towards community development through various projects. So, the thinking now is that it is no longer a forced philanthropy or tick the box responsibility. It is investing hard capital/resources to serve the society and build a company's reputation.
2. The change in the thought process is because CSR, though being a responsibility is not compulsory. It is "comply or explain." it is not they "must do it" but "will do it or explain why we failed to do it."
3. Corporates are also moving to spend in areas like road safety, pollution control, and slum development. Some corporates have even aligned their CSR spends with the broad objectives of the government in its various social impact schemes like "Skill India," "Swachh Bharat." Some have spent through the Prime Minister Relief Fund. The question one may ask is why only in these areas and say why not in areas like arts and culture or conservation of animals which are getting extinct, conservation of national heritage or say development of rural sports or sports which are dying or say building new technologies for the benefit of the poor. The answer to this is that there is a need to spend on the traditional areas as it tends to be beneficial to the larger group/community.
4. The larger organizations, some of whom assumed global stature, created their own foundations that were used to by the founders as vehicles for causes they wanted to be a champion. Other corporates also spent money for the upliftment of localities they operated in or for communities they came from. 5. Companies that traditionally undertook CSR anyway, with or without the law, used this opportunity to streamline the investments they made in this regard. For these firms, this was a chance to re-review and re-strategies what they had already been doing in order to fit into the requirements of the law.

CSR Policy

The CSR Policy of the company shall, inter-alia, include the following namely:-

1. A list of CSR projects or programs which a company plans to undertake specifying modalities of execution of such project or programs and implementation schedules for the same.
2. Monitoring process of such projects or programs.
3. A clause specifying that the surplus arising out of the CSR projects or programs or activities shall not for

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Functions of CSR Committee: The CSR Committee shall—

1. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company.
2. Recommend the amount of expenditure to be incurred on the activities referred to in clause (i).
3. Monitor the CSR Policy of the company from time to time.
4. Institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company's part of the business profit of the company.

CSR Activities

1. The CSR activities shall be undertaken by the company, as per its CSR Policy, excluding activities undertaken in pursuance of its normal course of business.
2. The Body may decide to undertake its CSR activities approved by the CSR Committee, through'
3. A section 8 company or a registered trust or a registered society, established by the company, either singly or along with any other company, or
4. A section 8 company or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature.
5. A section 8 company or a registered trust or a registered society, other than those specified in clauses (a) and (b) above, having an established track record of 3 years in undertaking similar programs or projects;
6. Collaboration with other companies,
7. For undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs.
8. The CSR projects or programs or activities not to be considered as CSR Activities:
9. Expenses for the benefit of only the employees of the company and their families.
10. Contribution of any amount directly or indirectly to any political party.

Importance of CSR A well-defined CSR strategy and effective implementation can bring a business a number of benefits, including:

1. License to operate:

In India, apart from the investors, customers and government, a fourth and increasingly important

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stakeholder is the community. Many companies have started realizing that the 'license to operate' is no longer granted by governments alone, but by communities that are impacted by a company's business operations.

2. Attracting and retaining employees: Several HR studies have linked a company's ability to attract, retain and motivate employees with their CSR commitments. Interventions that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the company.

3. Communities as suppliers: There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into their supply chain. This has benefitted communities and increased their income levels, while providing these companies with an additional and secure supply chain.

4. Enhancing corporate reputation: The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programs. This allows companies to position themselves as responsible corporate citizens.

5. Brand Value: A quick look at the top 10 brands in the world would suggest that responsibility is at the core of their operations. A well-managed CSR program can help increase brand equity, awareness and resonate with strong values. Tata Group is India's most valuable brand at \$19.5 billion dollars. People appreciate the company not only for its high-quality products but also for the activities that they do for the greater good of the people. The company has exceptional goodwill and the name exudes trust.

6. Increased Sales- Customer Matters: Companies that lead with a purpose are perceived positively by the customers. According to a study, 88% of the people surveyed would buy products from a responsible company. 85% of the people said that they would support the company in their community. Millennials and Generation Z connect with companies having a positive impact on the communities. This engagement translates into greater sales in today's highly connected world. This further highlights the importance of Corporate Social Responsibility projects.

7. Employee Retention and Engagement: There was a time when people looked at their jobs from the bread and butter perspective alone. Today, employees look for a higher purpose other than their monthly salary. Employees enjoy working for companies that have a positive public image. CSR initiatives incorporate volunteering programs which foster values such as empathy and loyalty. This leads to better team-work and camaraderie among employees. It is a wellknown fact that happy employees lead to low attrition. Godrej Group CSR projects include a volunteering program that helps NGO's to create sustainable models. They are also known to run several programs that help protect the environment. This has led to higher employee satisfaction and a positive image for the company. No wonder it is one of the most sought after companies to work for in India.

8. Cost Savings: In the past, operating sustainably came at a huge cost to the company. Cost savings

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as one of the factors in the importance of CSR would be surprising a few years ago. Responsible companies have found new technologies that have reduced the operating costs. Cochin Airport in India is a very good example of sustainable operations leading to cost savings. It is the first Airport in the world to operate completely on solar power. It has become a pioneer and is inspiring other airports to go solar and make this world a better place to live in.

9. Poverty Alleviation: India is home to almost 1.4 billion people and the top 1% of its population owns 73% of the wealth. In spite of the plethora of welfare programs, the gap between the haves and have-nots is one of the steepest in the world. The corporate sector's core competency is the execution of projects. They have the talent and know-how to ensure maximum impact at minimum cost. CSR programs bring out change at the grassroots level by harnessing this operational efficiency.

24 Mahindra and Mahindra's Nanhi Kali is one of the pioneers when it comes to CSR projects in India. The World Bank's 2018 report states that limited educational opportunities for girls and barriers to complete 12 years of education, cost countries between \$15 trillion and \$30 trillion in lost lifetime productivity and earnings. Project Nanhi Kali educates girls which not only empowers them but also helps their families come out of poverty.

10. Risk Management: It is no longer a debate that social and environmental risk affect businesses in a big way. In the long term, these factors affect the growth strategies and are completely out of its control. Mumbai incurred a loss of Rs 14,000 crore due to floods from 2005 to 2015 according to a study conducted by the United States Trade and Development Agency (USTDA) and leading accounting company KPMG. Environmental and Social factors damage the infrastructure or lead to the loss of business hours due to absenteeism.

Depleting mangrove cover is one of the biggest reasons for flooding in Mumbai. Bajaj Electricals' CSR arm planted 10,000 mangroves by partnering with NGO, United Way Mumbai (UWM) to create awareness on the importance of mangroves among the youth. Apart from the benefits mentioned above, CSR initiatives also help a firm win new business, increase customer retention while enhancing relationships with suppliers and networks. A well designed CSR program will focus on areas that are at the core of the values of the organization and will support the ethos of the company. There is so much to be done and forging the CSR - CSO/NGO partnerships with engagement and dedication to the cause will produce valuable results. When it comes to CSR, First Advantage has a strong philosophy and a well thought out strategy plan.

Business and Society:

The relationship between business and society has gone through different phrases, as the nature of this relationship has changed a lot over a period of time. Since the inception of the social life, business exists. Unknowingly, people started barter system of trade to exchange their goods for something more useful to them. Since then, business became the integral part of the society. It served the society as a means to satisfy their needs by exchanging their goods. Business became the

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medium of social interaction, as exchange was possible only by interacting with other peoples, living in the same society. Concept of neighborhood evolved when people started going out in search of better deal. This was the first phase of the relationship between business and society where business became the platform for social interaction and fulfillment of personal needs. Personal needs were limited to the extent of food clothing and shelter.

Wealth creation is the most important role of business. The term is generally understood by people as something necessarily financial. But actually, wealth creation is a broader term. The word wealth comes from two English words, 'weal' and 'th' meaning "the condition of well-being." thus, wealth creation needs to be understood beyond financial ambits. According to Robert Kennedy wealth creation encompasses the practices that make life worth living. Another important role that business plays is the role of bringing social satisfaction. When we look at the above meaning of wealth creation, it will definitely bring social satisfaction by improving the conditions of lives of the people. Thus satisfaction is the outcome of 26 wealth creation practices. And by creating wealth for its stakeholders, business brings satisfaction in the society. Business community has been fulfilling the societal needs and expectations since ages. Times to time changes have been introduced in corporate practices to suit the needs and demands of the society. Companies have been identifying the needs of the society and accordingly they are going for production, more customized goods are produced, better delivery system is being opted, after sale services are being improved, better employment conditions are promoted by the corporations, employees are given financial and social securities, environment protection measures are being taken and legal requirements are being fulfilled.

CONCLUSION

This strong commitment of business to serve the nation deserves appreciation. But when we look at another side of the coin, the picture is not as rosy as it seems. Corporate sector has failed to gain the trust and faith of the society. Increasing rate of corporate frauds and scams, continuous detection of harmful substances in their products, 8 growing dissatisfaction rate of corporate employees are some of the reasons behind suspicious image of business community. In more recent times, companies have realized the importance of ethical business. Every company has their own values but only few of them follow a formally written values or code of conduct, as a guide to their behavior. This lack of strict conceptualized ethical guidelines causes ethical downfall of the Indian Corporate Sector. CSR initiatives that are taken by these business houses are also considered as marketing stunt by the public, due to their poor image in the society. Business gets all its resources from the society, it operates in the society, sells its products and services to the society. At the same time society also receives so many benefits from the business in the form of employment, social and financial security, standard of living, goods and services and sense of belongingness. Business cannot run in isolation and society cannot survive without business, thus, there is a strong interdependence between business and society. The study is concerned with the responsibility of business towards society. Social expectations become corporate responsibility.

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