

# Corporate Social Responsibility

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**Abstract:** India is a developing economy, here Corporate Social Responsibility (CSR) play important role in organizations. The importance of CSR is increasing in Indian corporate scenario because organization have realize that ultimate goal is not profit making beside this trust building is viable and assertable with societal relationship. The compulsion of CSR has emerged in last two decades when Indian organization realizes the importance of sustaining in this cutthroat competition era. This research paper try to throw light on CSR practices prevailed in history and analyze the study of CSR status in India, this can give insight to what extent companies can follow the CSR. I would like to through light on legal status of CSR for Indian organization which would be helpful for both economic and social interest which would be futuristic majors to provide valuable information as well as suggest on their CSR practices and performance.

**Keywords:** Corporations, Socially Desirable, Stakeholders,

## 1. Introduction

Corporate social responsibility has become a most important theme in the business world. It is becoming a main activity of the business. Corporations came into existence in society and by society and from society; they get all their resources-money, material, men and customers etc. So it is necessary or obligatory to take some actions for the improvement of the society, beyond the interests of the firm. In addition to the financial obligations to stockholders, corporations must contribute for the development of the stakeholders (employees, customers, supplier and community etc.). Corporate social responsibility is directly beneficial for stakeholders and indirectly for stockholders. CSR is a sense of responsibility for society. CSR is the way, how companies can build a positive image in the society. Corporate social responsibility is also known as corporate conscience, corporate citizenship or responsible business. CSR has become an integral part of the business and if it is properly managed it will give long term benefits. CSR is a shift from shareholders to stakeholders and from profit and wealth maximisation to profit optimisation.

This paper is designed to explain what corporate social responsibility is and is CSR has a positive impact on marketplace, workplace, environment and society or not?

## 2. Definitions

“CSR IS SOCIALLY DESIRABLE” following definitions have been given in this regard-

The WORLD BUSINESS COUNCIL for sustainable Development in its publication Making Good Business Sense by Lord Holme and Richard Watts, describe the “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”

In the words of N R Murthy, the chairman of an Indian IT firm, Infosys “ CR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders”

“CSR IS NOT SOCIALLY DESIRABLE” following definitions have been given in this regard-

Milton Friedman, “The Social Responsibility of Business is to increase its profit” The New York Times, September 13, 1970-

“There is one and only one social responsibility of business- to use it resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say ,engages in open and free competition without deception or fraud”

## 3. History of CSR in India

To understand CSR properly, there is a need to have a glance on its history. India has the world’s richest tradition of corporate social responsibility. In India CSR is known from the ancient times.

### Phase-1

CSR is known from ancient times in India. It is purely philanthropic. The businessmen spent their wealth on poor people, by setting up temples and promoting religious conduct etc.

- Hinduism and CSR- the sellers and merchants charged a specific amount from the buyers and use it for charitable purposes (dharamada).They also give alms to the poor people.
- Sikhism and CSR- Sikhs shares 10% of their earnings (daashant) with poor people.
- Islamism and CSR- a portion of their earnings is to be spent on poor as donation and that portion is known as Zakkat.

### Phase-2

“The future depends on what you do today”-Mahatma Gandhi. Gandhi proposed a new theme known as trusteeship, in which the companies have to understand their position as fiduciaries of society. Gandhi, give main emphasis on welfare activities like setting up of colleges, schools, hospitals, research institutions etc. by industrialists. During the independence movement there is a great stress on

the industries to go beyond the interest of their company and serve society. The businesses have to take steps for socio-economic development.

### Phase-3

In this period the corporate sector took a backseat in development efforts. Public sector undertakings were set up for right distribution of resources. But after some time the PSUs were fail to eradicate poverty etc. There was a shift of expectation from the public sector to private sector. Various workshops were organised and main emphasis is on social accountability and socio economic growth.

### Phase-4

In this phase there was a shift from shareholders to stakeholders and profit maximisation to profit optimisation. Organisations start focusing on stakeholders. The companies start focusing more on their social responsibility. CSR are now widely accepted activities.

## 4. Legal Status of CSR in India

In India CSR is governed under section 135 of the Companies Act, 2013.

The provisions relating to the CSR are as follows:-

- 1) The companies that have any one of the following have to spend at least 2% of their average net profit in the previous 3 years on CSR activities.
  - Net Worth of INR 500 crores or more
  - Net profit of INR 5 crores or more
  - Turnover of INR 1000 crores or more
- 2) Any profit arising from CSR activities is to be reinvested only in CSR activities.
- 3) In case a company is failed to spend 2% of their average net profit in the previous 3 years, then reason should be mentioned in annual board meeting.
- 4) CSR activities undertaken outside India will not be considered.
- 5) Companies which falls under the category specified in section 135(1) have to give details of amount spent on CSR activities in prescribed format in the director's report and on the website of the company.
- 6) The companies may pool their resources with companies to fulfil their corporate responsibilities and the amount spent will qualify for the CSR's spending.
- 7) Section 135 of the Companies Act, 2013 requires that board of directors must form a CSR committee
  - CSR committee will consist of at least three directors one of which must be an independent director.
  - Formulate and suggest a CSR policy
  - Suggest activities to be done
  - Recommend the expenditure to be incurred on CSR activities.
  - Monitor CSR activities from time to time.

Companies Act, 2013 lists following as CSR activities

S.No.	Activities
1.	Eradicating extreme hunger and poverty
2.	Promotion of education
3.	Promoting gender equality and empowering women
4.	Reducing child mortality and improving maternal health
5.	Combating human immune deficiency virus, AIDS, malaria and other diseases
6.	Ensuring environmental sustainability
7.	Employment enhancing vocational skills
8.	Social business projects
9.	Contribution to the Prime Minister's National relief Fund or any other fund set up by the centre or states for socio-economic development and relief and funds for the welfare of the SC, the ST, other backward classes, minorities and women
10.	Other matters may be prescribed

Why CSR is Socially Desirable?

“Conducting your business in a socially responsible way is good business. It means that you can attract better employees and that customers will know what you stand for and like you for it”-Anthony Burns, CEO Ryder Systems-1994.

In the light of this quotation CSR is desirable in following ways-

- 1) Attract better employees- every employee wants to be the part of the organisation which is engaged in social responsibility. Every employee demands their organisation to be socially responsible. Companies can attract, retain and motivate their employees with CSR commitments.
- 2) Enhancing the goodwill of the organisation- goodwill of the organisation depends largely on its social responsibility programs and how much public is aware of them. When a company uses its resources on society it has a great impact on public.
- 3) Differentiate them from already crowded market place- the organisations participating in social responsibilities are widely accepted and doing things differently gives them a unique position.
- 4) “Creating a strong business and building a better world are not conflicting goals-they are both essential ingredients for long term success”-William Clay Ford Jr. Executive Chairman, Ford Motor Company

## 5. Indian Scenario

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- 7) Wipro Group's philanthropic arm, the Azim Premji Philanthropic Initiatives (APPI), will spend Rs 300 crore within the next 10 years to reduce malnutrition in the state. The APPI signed a memorandum of understanding in this regard with the state government here on Monday, 20 December 2015.

## 7. Conclusion

As India is the first country in the world to enact mandatory minimum CSR spending law. But the reason of this enactment is the benefits derived from CSR practices adopted by the company voluntarily. All the companies are working on the theme of Irene B. Rosenfeld, CEO Kraft "To build and sustain brands people love and trust, one must focus- not only on today but also on tomorrow. It's not easy... but balancing the short and long term is key to delivering sustainable, profitable growth- growth that is good for our shareholders but also good for our consumers, our employees, our business partners, the communities where we live and work and the planet we inhabit"

So, I end my presentation by saying that "We must do what we conceive to be right and not bother our heads or burden our souls with whether we will be successful. Because if we don't do the right thing we'll do the wrong thing and we'll be the part of the disease and part of the cure"

## Companies Act, 2013 lists following as CSR activities, Schedule VII

S.No.	Activities
1.	Eradicating extreme hunger and poverty
2.	Promotion of education
3.	Promoting gender equality and empowering women
4.	Reducing child mortality and improving maternal health
5.	Combating human immune deficiency virus, AIDS, malaria and other diseases
6.	Ensuring environmental sustainability
7.	Employment enhancing vocational skills
8.	Social business projects
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## 6. List of Indian Companies in Pace with CSR

In the first installment of a two edition special, ET Corporate Dossier, in league with Futurescape and IIM Udaipur, presents the definitive listing of companies with the best programmes for Corporate Social Responsibility (CSR):

- 1) **Tata Steel:** The company uses Human Development Index to keep track of CSR in villages.
- 2) **Tata Chemicals:** The company spends Rs 12 cr on CSR every year & wildlife conservation tops priority.
- 3) **Mahindra Group:** CSR is a mix of strategic philanthropy, shared values & sustainability.
- 4) **Maruti Suzuki:** Community development and road safety propel Maruti's CSR in the fast lane.
- 5) **Tata Motors:** The Company drives CSR through healthcare and education.

Besides all these some have set their future targets like

- 6) Azim Premji to spend Rs 300 crore to reduce malnutrition in Odisha:

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