

CORPORATE SOCIAL RESPONSIBILITY - Creating A Better Tomorrow, Today.

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Introduction

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. Engaging in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment instead of contributing negatively to them. Corporate social responsibility is a business model by which companies make a concerted effort to operate in ways that enhance rather than degrade society and the environment.

CSR can help improve various aspects of society as well as promote a positive brand image for companies. Corporate responsibility programs can also raise morale in the workplace. Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.

For a company to be socially responsible, it first needs to be accountable to itself and its shareholders. Companies that adopt CSR programs have often grown their business to the point where they can give back to society. Thus, CSR is typically a strategy that's implemented by large corporations. After all, the more visible and successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry.

Corporate Social Responsibility (CSR) broadly refers to the work and activities undertaken by corporate towards issues related to social causes and development, environment, disaster relief and community support. The concept of CSR rests on the ideology of businesses giving back to society as they grow and benefit. 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.

Evolution of CSR

In the 1950s, CSR was understood to be an obligation toward society. By the 1960s, the concept shifted to being viewed as a connection between corporate houses and society. During the decades spanning from the 1970s to the 1990s, definitions of CSR expanded to encompass a number of other aspects, including stakeholders, ethics, voluntariness, philanthropy, environmental stewardship, and the Triple Bottom Line i.e. people, planet and profit. The dimensions of corporate social responsibility in the 21st century have a much broader scope; it also includes the improvement of the quality of life of citizens; human and labor rights; environmental concerns; issues relating to corruption; issues relating to transparency and accountability.

What is the CSR framework in India?

Legal Basis: The Corporate Social Responsibility concept in India is governed by Section 135 and Schedule VII of the Companies Act, 2013 and Companies (CSR Policy) Rules, 2014. The Rules provide the criteria for assessing the CSR eligibility of a company, Implementation and Reporting of their CSR Policies etc. The Act and the Rules have created one of the most elaborate CSR mechanism and implementation strategies.

Criteria: The Companies Act has made it mandatory for certain corporations to undertake CSR activities.

The Act requires companies with:

- (a) a net worth of INR 5 billion (500 crore) or more or;
- (b) An annual turnover of INR 10 billion (1000 crore) or more or;
- (c) Net profit of INR 50 million (5 crore) or more,

to spend 2% of their average net profits of 3 years on CSR. Prior to that, the CSR clause was voluntary for companies, though it was mandatory to disclose their CSR spending to shareholders.

Every company to which CSR criteria are applicable shall constitute a Corporate Social Responsibility Committee. The CSR Committee should consist of 3 or more directors, with at

least 1 independent director. The activities to be undertaken under CSR are prescribed by the Government in Schedule VII of the Companies Act.

Penal Provisions: In case a company fails to comply with the provisions relating to CSR spending, transferring and utilising the unspent amount, the company will be punishable with a fine ranging from INR 50,000 to INR 25 lakh. The officers responsible for CSR are liable for imprisonment up to 3 years or a fine between INR 50,000-5 lakh or both.

Amendment in 2019: Before the amendment, if a company was unable to fully spend its CSR funds in a given year, it could carry the amount forward and spend it in the next fiscal, in addition to the money allotted for that year. The amended Act requires companies to deposit the unspent CSR funds into a fund prescribed under Schedule VII of the Act within the end of the fiscal year. This amount must be utilized within three years from the date of transfer, failing which the fund must be deposited in to one of the specified funds.

Types of Corporate Social Responsibility

In general, there are four main types of corporate social responsibility. A company may choose to engage in any of these separately, and lack of involvement in one area does not necessarily exclude a company from being socially responsible.

1. Environmental Responsibility

Environmental responsibility is the pillar of corporate social responsibility rooted in preserving mother nature. Through optimal operations and support of related causes, a company can ensure that it leaves natural resources better than before its operations. A company can pursue environmental stewardship through:

- Reducing pollution, waste, natural resource consumption, and emissions through its manufacturing process.
- Recycling goods and materials throughout its processes, including promoting re-use practices with its customers.
- Offsetting negative impacts by replenishing natural resources or supporting causes that can help neutralize the company's impact. For example, a manufacturer that deforests trees may commit to planting the same amount or more.

- Distributing goods consciously by choosing methods that have the least impact on emissions and pollution.
- Creating product lines that enhance these values. For example, a company that offers a gas lawnmower may design an electric lawnmower.

2. Ethical Responsibility

Ethical responsibility is the pillar of corporate social responsibility rooted in acting in a fair, ethical manner. Companies often set their own standards, although external forces or demands by clients may shape ethical goals. Instances of ethical responsibility include:

- Fair treatment across all types of customers regardless of age, race, culture, or sexual orientation.
- Positive treatment of all employees including favorable pay and benefits in excess of mandated minimums. This includes fair employment consideration for all individuals regardless of personal differences.
- Expansion of vendor use to utilize different suppliers of different races, genders, veteran statuses, or economic statuses.
- Honest disclosure of operating concerns to investors in a timely and respectful manner. Though not always mandated, a company may choose to manage its relationship with external stakeholders beyond what is legally required.

3. Philanthropic Responsibility

Philanthropic responsibility is the pillar of corporate social responsibility that challenges how a company acts and how it contributes to society. In its simplest form, philanthropic responsibility refers to how a company spends its resources to make the world a better place. This includes:

- Whether a company donates profit to charities or causes it believes in.
- Whether a company enters into transactions only with suppliers or vendors that align with the company philanthropically.
- Whether a company supports employee philanthropic endeavors through time off or matching contributions.

- Whether a company sponsors fundraising events or has a presence in the community.

4. Financial Responsibility

Financial responsibility is the pillar of corporate social responsibility that ties together the three areas above. A company might make plans to be more environmentally, ethically, and philanthropically focused; however, it must back these plans through financial investments of programs, donations, or product research. This includes spending on:

- Research and development for new products that encourage sustainability.
- Recruiting different types of talent to ensure a diverse workforce.
- Initiatives that train employees on DEI, social awareness, or environmental concerns.
- Processes that might be more expensive but yield greater CSR results.

Ensuring transparent and timely financial reporting including external audits.

Benefits of Corporate Social Responsibility

As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations, boost morale, and aid both employees and employers in feeling more connected to the world around them. Aside from the positive impacts to the planet, here are some additional reasons businesses pursue corporate social responsibility.

1. Brand Recognition

According to a study published in the Journal of Consumer Psychology, consumers are more likely to act favorably toward a company that has acted to benefit its customers as opposed to companies that have demonstrated an ability to deliver quality products. Customers are increasingly becoming more aware of the impacts companies can have on their community, and many now base purchasing decisions on the CSR aspect of a business. As a company engages more in CSR, it is more likely to receive favorable brand recognition.

2. Investor Relations

In a study by Boston Consulting Group, companies that are considered leaders in environmental, social, or governance matters had an 11% valuation premium over their competitors. For companies looking to get an edge and outperform the market, enacting CSR

strategies tends to improve how investors feel about an organization and how they view the worth of the company.

3. Employee Engagement

Another study by professionals from Texas A&M, Temple, and the University of Minnesota found that CSR-related aligning firms and employees serve as non-financial job benefits that strengthen employee retention. Workers are more likely to stick around a company that they believe in. This in turn reduces employee turnover, disgruntled workers, and the total cost of a new employee.

4. Risk Mitigation

By adhering to CSR practices, companies can mitigate risk by avoiding troubling situations. This includes preventing adverse activities such as discrimination against employee groups, disregard for natural resources, or unethical use of company funds. This type of activity is likely to lead to lawsuits, litigation, or legal proceedings that may harm the company financially or expose it to negative news headlines.

Challenges Faced in the Evolution of Corporate Social Responsibility

1. Lack of Community Participation in CSR Activities:

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

2. Need to Build Local Capacities:

There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

3. Issues of Transparency:

Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

4. Non-availability of Well Organized Non-governmental Organizations:

It is also reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

5. Visibility Factor:

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

6. Narrow Perception towards CSR Initiatives:

Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.

7. Non-availability of Clear CSR Guidelines:

There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should

depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

8. Lack of Consensus on Implementing CSR Issues:

There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

What is the current status of CSR in India?

CSR spending in India has risen from INR 10,065 crore in 2014-15 to INR 24,865 crore in 2020-21.

Notable Work by Some Companies

1. Ashok Leyland

Operates a FunBus in Chennai and New Delhi. This bus, equipped with a hydraulic lift, takes differently abled children and those from orphanages and corporation primary schools on a day's picnic. The company also runs AIDS awareness and prevention programmes in its Hosur factories for about 3.5 lakh drivers.

2. Axis Bank

The Axis Bank Foundation runs Balwadis which are learning places for children living in large urban slum clusters. It also conducts skill development programmes (PREMA and Yuva Parivartan) in motor driving, welding, mobile repairing, tailoring etc., for the youth in backward districts.

3. Bharat Petroleum Corporation

Its rain water harvesting project Boond, in association with the Oil Industries Development Board, selects draught-stricken villages to turn them from „water-scarce to water-positive“.

Some of BPCLs other social programmes include adoption of villages, prevention and care for HIV/AIDS and rural health care.

4. Hindalco Industries

Its CSR activities are concentrated in 692 villages and 12 urban slums, where it reaches out to about 26 lakh people. It has constructed check dams, ponds and bore wells to provide safe drinking water. In education, it awards scholarships to students from the rural schools it supports. Its other interests include women's empowerment and health care, in which it treats patients in hospitals, runs medical camps and operates rural mobile medical van services.

5. Indian Oil Corporation

It runs the Indian Oil Foundation (IOF), a non-profit trust, which works for the preservation and promotion of the country's heritage. IOCL also offers 150 sports scholarships every year to promising youngsters. Some of its other initiatives lie in the domains of clean drinking water, education, hospitals and health care.

6. Infosys

The Infosys Science Foundation, set up in 2009, gives away the annual Infosys Prize to honor outstanding achievements in the fields of science and engineering. The company supports causes in health care, culture and rural development. In an interesting initiative undertaken by it, 100 school teachers in Karnataka, who were suffering from arthritis, underwent free surgery as a part of a week-long programme.

7. Mahindra & Mahindra

Nanhi Kali, a programme runs by the KC Mahindra Education Trust, supports education of over 75,000 underprivileged girls. The trust has awarded grants and scholarships to 83,245 students so far. In vocational training, the Mahindra Pride School provides livelihood training to youth from socially and economically disadvantaged communities. M&M also works for causes related to environment, health care, sports and culture.

8. Oil & Natural Gas Corporation

It 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. ONGC also supports education and women empowerment.

9. Tata Consultancy Services

Its Computer Based Functional Literacy (CBFL) initiative for providing adult literacy has already benefitted 1.2 lakh people. The programme is available in nine Indian languages. Besides adult education, TCS also works in the areas of skill development, health care and agriculture.

10. Tata Steel

It comes out with the Human Development Index (HDI), a composite index of health, education and income levels, to assess the impact of its work in rural areas. Health care is one of its main concerns. The Tata Steel Rural Development Society aims to improve agricultural productivity and raise farmer's standard of living.

Conclusion

As commonly misunderstood, the 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 no longer just a voluntary activity but a mandatory obligation for certain companies in India. The legal framework of CSR in India has evolved significantly, with the government introducing new regulations and guidelines to promote CSR. Recent developments in CSR in India have focused on sustainable development, social entrepreneurship, impact assessment, and COVID-19 relief measures. CSR has become an essential aspect of the business landscape in India. Companies are expected to continue expanding their CSR activities due to increasing awareness of its importance. Besides benefiting society, CSR helps improve a company's reputation and brand image, leading to cost savings and attracting and retaining customers,

employees, and investors. However, critics argue that CSR initiatives lack effectiveness and should go beyond the mandated 2% spending requirement. Despite criticisms, CSR is becoming more critical for companies to promote sustainable development and contribute to society.

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