

Corporate Social Responsibility: An Insight from Origin to Present

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ABSTRACT

If we look at the recent developments, Corporate Social Responsibility has been picking up pace rapidly. It has now found its place in the Companies Act, 2013 also thus becoming an integral part of the working of every organisation. Indian businesses have realised that they should not only just take from the society but also should give it back to them in terms of ecological and social point of view to achieve the goal of sustainable development. Today the businesses cannot survive merely on the basis of their personal goals of survival, profit and growth but should also take up the responsibility of all the stakeholders of an organisation. The alignment of the organisational goals along with the societal responsibilities is necessary for the development of the nation as a whole and the corporates can help a lot in this. For this reason a mandatory clause is incorporated in the Companies Act, 2013 for the uniformity of the actions by the businesses and also for the government to be able to measure the impact created by this initiative towards the development of the nation. This paper focuses on the history of CSR as to how it began and how it became legislative in India. It will also focus on the problems which will be faced in its implementation and suggestion for overcoming them and speeding up the CSR initiatives in India.

INTRODUCTION

A company should always work in favour of the society apart from fulfilling its organisational goals. Most of the organisations across the globe have realised the value of working towards the society for getting benefits in long run. The concept of CSR is based on the ideology of give and take. An organisation takes a lot from the society like human resource, raw materials etc and they must give it back to the society by helping it get developed in one form or the other. In this world when everyone is aware about what is going on in and around, it becomes very difficult for an organisation to sustain in an isolated environment away from society. By mere buying and selling a firm cannot operate. They have to interact with the society and do something for them to build a good image and sustain in the market.

Kotler and Lee define CSR as “Corporate social responsibility is a commitment to improve Community well-being through discretionary, business practices and contribution of corporate resources. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfil commitments to corporate social responsibility”.

According to William Clay Ford Jr. Chairman of the board and CEO of Ford Motor Company, “There is difference between a good company and great company. A good company offers excellent products and services. A great company also offers excellent product and services but also strives to make the world a better place”. So now every company strive to be a great company by doing the best for the society.

But still there is a need to discuss few challenges faced by CSR and suggestions to improvise the current laws as there are few issues which are still left unaddressed.

The practise of CSR can be seen in the Indian society from the very beginning of the Industrial era here. The companies like TATA and BIRLA has showcase their goodness towards the society way before CSR was even a concept. The interest of the TATA group to do something towards the society has also build their image in the hearts of people of the country. Same is the case with AMUL and BIRLA. They have also helped the people at grass root level to be uplifted and working towards their stakeholders in a positive direction.

Over the years CSR has gained a lot of importance in the corporate world as it leads to building shareholders value, rising of the brand image, operational efficiency, less risk to the business and accessibility to better human resource

and capital for the firm. This is because when a firm do for the society then the people wants to work with them more and gives out their best in working of the organisation which leads to achievement of the goals of the firm efficiently and effectively. It also leads to sustainable development of the society at large.

Till 1990s only philanthropy prevailed in the Indian business context. CSR was considered as an act of philanthropy which was desired but not compulsory. Few firms were doing it actively whereas other firms were just doing it for the namesake. Few firms completely ignored their responsibility towards the society. The businesses were not ready to commit their resources for the betterment of the society. The stakeholder's interests were also not kept in mind by the companies. But over the past few years there has been a transition in the thinking of the organisations. They have understood the need of CSR for their long term benefit as started considering it as fulfilment of liability towards the society. It is no more considered as a charity or a burden but an integral part of the working of the business.

On April1, 2014, India became the first country to legally mandate CSR. Section 135 of the Companies act 2013 makes it mandatory for every business operating in India of a certain turnover to spend a certain amount on CSR. The provisions under the Companies act 2013 says that on every company including its holding or subsidiary having

- Net worth of Rs500crore or more or
- Turnover of Rs1000crore or more or
- Net profit of Rs5crore or more

During the immediately preceding financial year has to ensure that they spend at least 2% of the average net profits of the company made during the three immediately preceding financial years. The CSR projects/programs/activities undertaken in India only shall amount to CSR expenditure. The board of directors should also display their CSR activities on their company's website.

This act also lists out set of activities eligible under CSR which are specified under Schedule VII of the act.

- Eradicating hunger and poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water.
- Promoting education; including "pecial education and employment enhancing vocation skills especially among children, woman, elderly and the differently abled and livelihood enhancement projects.
- Promoting gender equality, empowering women; setting up homes and hostels for women and orphans, setting up old age homes, day care centres, and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining of quality of soil, air and water.
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- Such other matters as may be prescribed, like, Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up of public libraries; promotion and development of traditional arts and handicrafts; Measures for the benefit of armed forces veterans, war widows and their dependents; Training to promote rural sports, nationally recognised sports, and Paralympics sports and Olympic sports.
- Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government and Rural development projects.

However, in determining CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

To check and monitor the CSR policy of a company, there should be a board constituted which requires at least three directors including an independent director. The report of the Board of Directors should be given along with the financial statements of the company. They also need to add an annual report on CSR along.

Despite all these efforts towards the uniformity of the CSR in our country this still lacks at few points which should be reconsidered again to make it more effective. Firstly, I felt that giving preference to the local area is though a good step but usually the industries and organisations are not much spread out. They are concentrated in few areas of a state. This can lead to more development in certain areas and complete ignorance of few areas. The development won't be uniform if this point is kept in mind. To overcome this emphasis should be laid by the

government on spending certain amount in the local vicinity and a certain amount in the upliftment of the backward districts as identified by the planning commission.

Secondly, the inclusion of Prime Ministers Relief fund and other funds set up by the government can be misused. This fund is not answerable even to the parliament so the contributions made to this fund may not be able to reach people where it is required. CSR should focus completely on the direct benefit provided by the organisations to the people of the society. This can be overcome by specifying a limit up to which you can donate the amount in these funds not all of the funds allocated to CSR should be given to these funds.

Thirdly, I personally feel that 2% of the spending of the profits is good by government should also lay emphasis on ethical business practises and respect for human rights and resources of the organisation also to be a part of CSR. Not only the monetary impact is required by the firms but non-monetary actions are equally important. This can be achieved by adding more guidelines to the CSR program which includes all the non-monetary measures which should also be adopted by the company in order to provide better products to the society and making a better environment for the employees to work in

Lastly, there is a need for community participation in the CSR activities by the organisations to make it more effective for the society as they know their problems better than anyone and their participation can build a better bond of the society with the organisation and also helps in getting the society better by diagnosing the correct problems and finding the best possible solutions for them. So there should be a provision mandatory for the organisation to keep a member from the society in the CSR committee of the organisation so that there is community participation.

CSR has now become a way important concept after being mandated legally by the government in the Companies Act 2013. It is no more just about donating money as per wish by the businesses. It makes corporate houses socially responsible citizen and make them accountable for doing their bit for the society in a planned and uniform manner. It has now become a duty for the corporates to take care of their stakeholders at large. Business should reorient their policies and plans and align them taking in consideration CSR now.

Though there are few issues which needs to be addressed by the government but still India has taken a bold step by becoming the first country to legalise the CSR and including it in the Companies Act 2013. Slowly and steadily we will overcome all the flaws and make India a better place to live in and do business by joining hands together.

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