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Corporate Social Responsibility in India. – An overview.

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Introduction

Parting with surplus money by the traders for the society was prevalent in India as old as about 600BC as recorded in the Arthashastra. The Indian ethos, visible all along Chanakya-Sutras, is meaningful even in the present context of globalisation of businesses. It summarises ethics as: 'The world is looked after through ethics. The chief wins people by showing empathy and following truth; hence they are revered like mother which ultimately result in happiness in this world by the distribution of wealth'. India is fortunate to have business leaders like Ratan Tata and Narayan Murthy in this context. The tradition of Tata philanthropy goes back to 1892 when Jamsetji first gave grants to two lady doctors to go abroad and specialise in gynaecology. During the next hundred years the JN Tata Endowment for the higher education of the Indians was to give loans to 2000 students towards their studies abroad. The book 100 Great Modern Lives by John Canning concludes: 'Probably no other family has ever contributed as much in the way of wise guidance, economic development and advancing philanthropy, to any country as Tatas have to India'.

What is Corporate Social Responsibility?

Ethical conduct in all the functions and processes of a business is the cornerstone of its social responsibility and hence they should be open to all kinds of disclosures and be always accessible to all the stakeholders involved. Businesses should always strive towards improving the quality of life of people by offering safe and excellent products or services to its customers. Further, they should respect, protect, and make efforts to restore the environment by using the principle of 'reduce-reuse-&-recycle'. Recently, as one of the CSR activities, Tata Steel invested in a waste separation project which ultimately resulted in earning the company twenty times of the amount invested by selling this separated waste.

Banks, Financial Institutions, Venture Capitalists and Angel Investors are now inclined to provide access to capital to socially committed companies. They are giving preferred treatment to these 'companies with social sustainability' as they have found relevance of 'sustainable development and governance' on equity-valuations. One of the main reasons is that these companies are increasingly seen as lesser risky ones due to their social commitment and environmental compliance. Reserve Bank of India recently asked banks to look in the domain of sustainable development. Infosys is another example in this context whose annual reports are supposed to best in the world in terms of clarity and details. The company believes long-term investment could be attracted only by keeping the company's operations and financial dealings transparent.

Advantage CSR: Cases from Indian Businesses

As the product differentiation is becoming difficult day by day; emotional binding with the customer or the consumers provide a one stop solution in sustaining brand image of the companies. Through the eChoupal, IBD has changed the business model of commodity trading. By marrying technology with trading in rural market, IBD has brought in a new paradigm. The strategy of dealing with the end farmer directly has been very successful with both farmers and the erstwhile middlemen being co-opted.

Moving on, Bindeshwar Pathak of Sulabh believed in a different philosophy as against the usual about earning more and pocketing it to shareholders. Sulabh International had a Rs. 10 crore overdraft in SBI to be utilised for organising a world toilet summit and for the trip to women employees in the US. These employees were supposed to stay right opposite the UN building against any cheap hotel. The company believes, 'the benefits of globalisation should go to the poor'.

Mahima Mehra of Haathi Chaap wanted to work on recycling, but not as NGO and she ended up starting a business of handmade paper. As corporate social responsibility 8 % of Haathi Chaap's profits go towards funding an elephant ambulance in Jaipur. Aavishkaar Social

Venture Fund supported rural entrepreneurs in India and today it has 23 companies which generate profits, returns to investors and addresses an important social cause simultaneously. Further, Rangasutra run by Sumita Ghose, a for-profit-venture; sources craft and textile from villages and retails through Fabindia.

Through Ecosphere, Ishita Khanna promotes eco-tourism and berry processing resulting in the duel benefit of economic incentives to mountain folk and the preservation of their majestic heritage. Other stories in livelihood include Saloni Malhotra who is generating BPO jobs in rural Tamilnadu; Umadevi Swainathan is fetching the farmers better prices for their agricultural produce and Aruna Kappagantula reviving India’s bamboo industry. Shantha Biotech recruits people who have a hunger to do something for the country. The company helped the underprivileged by crashing price of a vaccine from Rs. 750 to Rs. 50 and today the vaccine is sold for as little as Rs. 15.

Moving on, Arvind Eye Hospital’s paramedical staff is the key to the success of its business model. The tenth standard pass girls are recruited from the villages and are trained for a couple of years and placed as nurses. These girls are found to be tremendously satisfied employees; the satisfaction derived from helping people regain their sight and earn respect and recognition in the community. Other stories in healthcare include Kousalya Periasamy helping HIV positives to shake off the stigma and Devi Shetty providing low-cost health-care for the masses through his Narayana Hrudayalaya.

The efficient use of resources in a business to benefit all the stakeholders involved has an across-the-board impact on financial performance and reduced operating costs. This ultimately results in increased revenue for the businesses. This usually happens if a sense of social responsibility spreads throughout the organisation in all the business processes and become a routine practice among its employees. This honest conduct, committed leadership and its responsible policies establish a sense of openness and trust within and without the organisation. APJ Abdul Kalam rightly believe in the context of responsible development that ‘it does not make sense to achieve a ‘developed’ status without a major and continuing upliftment of all Indians who exist today and of the many more millions who would be added in the years to come.

CSR determinants for Indian firms

Eventually, due to the factorization, the essence of the factors underwent changes. Consequently, the factors were re-interpreted. It can be advocated on the basis of this comparison that these 5 identified factors given in table 7 will play a significant role in enhancing the competitiveness, financial growth and stakeholder relationship of Indian firms through CSR. Three categories were made as per the understanding of the academic knowledge developed from the study of the long standing literature on the subject of research. The present analysis highlighted major influencing factors or keystones for Indian firms. These keystones provided thoughtful account of 18 sub-keystones which are identified as crucial factors

Financial Health Keystone captured two factors . These factors highlighted that CSR should not be seen purely as a charitable deed or unnecessary cost, withal CSR is more than this. CSR helps firms to innovate in order to satisfy its consumers, grab market opportunity and differentiate themselves from others in an ethical way to become competent. The further CSR firm would be less damaged by negative events and would face less downside risk because of strong reputation. Corporations are confident that being responsible, they are better able to snatch the business expansion opportunities, refinance the capital structure, win market competition, lower the debt, have low cost production factors and the cost of capital, high operating leverage and easy availability of resources for raising capital. Being responsible means being judgmental towards your deeds which may ultimately lead to good public image, employee retention and motivation, better access to capital and investor relationship and can affirm in value creation.

The Competency Keystone lies in CSF2 which carries important factors addressing the issues of corporate sustainability and competitive advantage from responsible business practices. It was reported that CSR helps in generating healthy competition with ethical foundation and steers the corporations towards Transparency and Disclosures. Importantly, it specifies significant difference between organizational profile for Competency. This is quite obvious as, for different size of firms, the level of competency differs. Large firms are better able to provide great remuneration to retain expert workforce, may invest in heavy technologies, may have their own R&D centers, may spend large amounts on Marketing and Advertising and may bear the huge

CSR investments which ultimately all lead to competitive advantage. It can be said that CSR seems to be one of the ingredients for the recipe of Competitive Advantage.

The Companies Act, 2013

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.

Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014.

Applicability: Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

CSR Committee and Policy: Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

Definition of the term CSR: The term CSR has been defined under the CSR Rules which includes but is not limited to:

- Projects or programs relating to activities specified in the Schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

Activities under CSR: The activities that can be done by the company to achieve its CSR obligations include 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.

Local Area: Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also choose to associate with 2 or more companies for fulfilling the CSR activities provided that they are able to report individually. The CSR Committee shall also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken, prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating

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business models with social and environmental priorities and process in order to create share value.

The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

The nine principles of National Voluntary Guidelines are:

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3: Businesses should promote the wellbeing of all employees.

Principle 4: Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Business should respect, protect, and make efforts to restore the environment.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The Best CSR Driven Companies in India

In the pre-legislation phase, **only 10 corporates have been recorded to have been spending more than 2% of their PAT**. ET Dossier in co-ordination with Futurescape and IIM Udaipur has come out with the list of top CSR spenders for 2014. Let’s take a peek at the top 5 Indian companies

Company Name	**Foundation name**	**Cause**
Tata Steel	TSRDS, TSFIF,	Provided healthcare services in collaboration with HP and

	TSTCS, TSSDS	brought down infant mortality rate by 26.5% in Seraikela District, rural development around Jharkhand and Odisha, nearly 2300 solar street lights were installed in Jharkhand and Odisha. Overall spending came to Rs.212 crores which is 3.31% of PAT
Tata Chemicals	TCSRD	Have been an active participant in raising the rural community living in Okhamandal, Wildlife conservation
Mahindra Group	Mahindra Foundation	A member of Dow Jones Sustainability Indices, M&M planted around 60,000 saplings as a part of Project Hariyali
Maruti Suzuki	Maruti Suzuki Foundation	The company spent Rs. 232.8 crores on road safety and awareness. The company has also partnered with 29 Industrial Training Institutes
Tata motors	TGAA, TAAP and TBEM	Healthcare and education provided to more than 37,000 children, eradicating social inequalities, contributed Rs.4.5 crores for Uttarakhand Flood relief and rehabilitation.

In this list we have been talking about the top donors, but let’s not forget that every penny gone towards a social cause matters and is in no way insignificant. We have to laud every organization that does it’s bit to the society’s betterment.

Conclusion:

CSR activities of many Indian companies are mainly handled by public relations or human resources department rather than a CSR department which is consistent with results of Sagar and Singla (2004). A dedicated CSR team or department should be formed to identify the core performance areas. It was also noted that respondents were unable to differentiate CSR and philanthropic activities. Firms should initiate and implement the strategic CSR into business operations and should provide training and learning to all the personnel. The response rate of CSR reporting was not high, though most of the firms are not following structured reporting on a regular basis but these are large scale firms. Intense shining projects were related to community development rather than focusing on internal practices such as corporate governance, transparency and disclosures. Hence, it is recommended to develop a sound strategy of CSR aiming at long term goals of firms with strong focus on the other key areas for equal growth.

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