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CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIAN CONTEXT

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Abstract

What is Corporate Social Responsibility? CSR is a broad concept to business with many definition and practices include contribution toward the sustainable development by imparting various long lasting benefits to stakeholders. It addresses topics like health and safety, environmental protection drives, working conditions etc. This paper investigates the current position of corporate social responsibility in Indian corporate era. It is affected by the various perspectives and citation analysis of the research published by the various scholars and the knowledgeable persons from time to time. It pays attention on corporate social responsibility status from the company law, 2013 in India. It focuses on the social responsibility programmes and policies which create strategic benefits to the firms. It synthesis and integrates the analysis of various social activities operate by the Indian companies under the corporate social responsibility programme. Some companies do remarkable efforts which have been explored in this paper. This paper covers the strategic benefit to the business units from the Corporate Social Responsibility. The aim of this study is to value the efforts of company towards the development of Indian economy.

Keywords

CSR, corporate social performance, Stakeholders, Business entity, Company Law, 2013.

Introduction

Business units cannot operate without society. If they want to get something from society, they have to give too. Corporate social responsibility says a business house can be for the betterment for the society, they have to respond to their demands and supply accordingly. Corporate social responsibility is a process of negotiation with the society. Because all stakeholders have stake in company. They can be harmed and can harm any business entity. Corporate social responsibility is the integration and the synthesis of all ethical concerns.

Objective of study—

1. To understand the concept of CSR via definitions given by the different scholars.
2. To analyze the different corporate social responsibility activities being done by the Indian Corporate sector.
3. To summarize the various benefits of corporate Social Responsibility to the Indian Companies.

Literature Review

Concept of corporate social responsibility has been in discussion since 1950. Different scholars have defined CSR in different ways and give different definitions too. Some of them belief in positive aspect while on the other side, others are totally against them. It should be known to all that many years back in 1958, an article has been published regarding the criticism of corporate social responsibility. it is from the "Theodore Levitt" who spoke of "the dangers of social responsibility". According to him there are only two responsibilities of any business entity--:

1. To engage in honesty and faith.
2. To gain profitability(material gain).

He stated only the long run profit should be the uppermost aim of any organization.

Although Milton Friedman in his book “capitalism and freedom” called corporate social responsibility a “fundamentally subversive doctrine” in free society and stated that in such a society there is only one responsibility of any entity i.e to utilize its resources and do the activities to uplift its profits without fraud and any deception.

Friedman’s views give challenge to the debate regarding the relationship between corporate social responsibility and corporate social performance. There are so many researches that had been explored which depicts there is negative relationship between corporate social performance and corporate financial performance .

But on the other side, there are also some researches which shows positive relationship between corporate social performance and corporate financial performance i.e, Bowman and Haire(1975), Johnson and Grening(1994), Moskowitz(1972), Spencer and Taylor(1987).

Freeman’s stakeholder theory (1984) states each group i.e customers, suppliers, employees, communities and financiers (banks) interest has to go together. Any business house can only be successful if they make value to these groups. His theory states that this is the duty of the manager to find how the interest of these stakeholders’s group goes in same direction. The next step of their duty is to find out the order of their importance that makes the business to b successful.

Commenting on Social Responsible Activities, Robert B Reich, argued that there is a difference between company’s step toward stakeholders and Corporate Social Responsibility. A company’s step toward reduction in labor turnover should not be treated as CSR, it should be considered as SMART BUSINESS.

CSR IN INDIA

India has the richest tradition of CSR. Though the term is new but the activities operate under the CSR are not new. CSR in India has evolved through different phases- before 1947 the then industrial setups like TATA, Bajaj set up various trusts and foundations. Basically these activities are done to take the political benefits. After independence PSUs has been set up to ensure better distribution of wealth. But With the opening up of Indian market to the global, many MNC’s enter into the Asian market, it led consumer expectation high and they demand the variety of products and services with good quality, standard and reasonable rates.

Prior to the era of corporate social responsibility companies operate to increase their profits but now the trend has been changed effectively. Now companies shift their interest to the wealth maximization. Wealth maximization can be done through the increment in the value of share. Many say that increase in profit will increase in the value of share but it is not true it depends upon various factors----- profits, quality of management, conservation and better utilization of resources but not the least CORPORATE SOCIAL RESPONSIBILITY.

In INDIA many big companies are included in CSR activity. As per the company law, 2013 CSR become mandatory for certain class of business. Basic changes has been brought by the Ministry of Corporate affairs under section 135 and Schedule VII of Company act, 2013 as well as the provision of Companies (Corporate Social Responsibility)Rules, 2014 which came into effect from April 1,2014. It is obligatory for the every company, private limited or public limited, to spend not less than 2% of their average net profit. Company act, 2013 define the three criteria under which the companies should require to allocate sme fund in corporate social responsibility activity -----

1st criteria-----

Companies net worth is Rs 500 crore or more for the immediately preceding three financial year.

2nd criteria----

Companies’ turnover is 1000crore or more in any financial year.

3rd criteria-----

Net profit is of Rs 5crore or more in any financial year.

The net worth, turnover and the net profits should be computed according to section 198 of the companies act,2013 as per the profit and loss statement made by the company in terms of section 381(1)(a) and section 198 of the act.

Any company comply with any of three criteria should constitute a CSR committee of board consisting of 3 or more directors, out of which at least one director should be a independent director. The board report shall disclose the CSR committee composition. CSR committee shall –

1. Formulate and recommend CSR policy to board.
2. Recommend the amount of expenditure to be incurred in CSR activities.
3. Monitor the policy from time to time.

Schedule VII of companies act, 2013 provide the list of various corporate social responsibility. Companies rule, 2014(CSR) provide further compliance for corporate social responsibility.

In FY 2015-2016, 28% growth has been in the CSR spending comparing to previous year in India.

CSR AND INDIAN COMPANIES

CSR and environment protection drives--- large number of initiatives are focused on protecting the environment. Reliance initiatives to promote environment protection include the investment of 659crore on CSR in spreading the awareness about environment protection promoting renewable energy resources. They convert arid lands into major green zones. On the other side, TATA group give its Rs 194crore contribution toward the environment protection. What the group does include-----conservation of plant and animal species, improve land and water use, protect forests tracts and green sanctuaries. TATA group also support a diverse cluster of non-government organization working in areas such as management of natural resources, community development and livelihoods. Aditya Birla group has set up 10000 toilets in villages. By establishing toilets they are contributing towards Modi's scheme SWATCH BHARAT (CLEAN INDIA)

CSR and providing education----- TATA steel's ore mines and Quarries Division have taken initiative as CSR to educate the children at Joda, a block situated in Keonjhar district of Orissa. Under the flagship of 1000 school project, the TATA group has opened a Residential Bridge Course (RBC) centre at Joda . its main objective is to cater the drop outs of the tribal population of Joda. The teaching method in this campaign includes "teaching with fun".

On the other side, "Aditya Birla Group" works in 2500 villages and reach about 6millionpeople for their CSR initiatives. This group runs 42 schools where 45000 children are provided quality education, 18000 of which receive free education. more than 8000 students are awarded with merit scholarships.

CSR and health care -----In health care sector Cadila healthcare ltd. has contributed to GCS medical college and research centre to serve the needy and under privileged cancer patients. The company spent 14.45 crore in this project. They make contribution toward the renovation of hospitals. Number of patients provided care reaches the 1000 per day in the OPD. 90% of these patients are from the economically background sections.

On the other side, Colgate Palmolive (India) ltd. Spent 12.17 crore across India to educate the children about oral healthcare, basic hygiene and diet.

BIRLA group conduct more than 3500 medical camps for various ailment such as AIDS, TB etc. more than 5 million patients has been treated in these camps for these type of ailments.

CSR and digital India----- Following the campaign of Prime Minister "Narendar Modi" L&T Hydrocarbon Engineering engaged with a NGO, Yash Krishi Takniki Evam Vigyan Kendra(YASTK) to teach in municipal board in Vadodara using audiovisual means ,animation and other technology to impart knowledge from class 1 t 8. This technology is designed in such a way that generates zeal among the children. 40 schools have been opened under the initiative of CSR. L&T group also provide various skill building program to enhance the employability of youth. ICICI bank also transformed 100 villages into ICICI Digital Villages across India. Under its initiative ICICI bank provides training regarding digital transactions to the rural India. This effort of ICICI bank changed the lives of underprivileged people. Jio brings transformational changes in the Indian Digital Services space to enable the vision of Digital India. Jio has revolutionized the Indian Telecom landscape by making voice call absolutely free across India to any network for the Jio customers. Jio enable the Indian market for highest quality call and most affordable data.

CSR and anti poverty instrument---- Most of the world's poor people earn their livelihood from agriculture. In India nearly 48% workforce are farmers and if India improve its agriculture sector automatically, it alleviate poverty from Indian Economy. Farmers face so many difficulties from buying raw material to selling their finished products to market. They have been exploited middle. To improve the primary sector the private sector Reliance foundation establishes a Producer Company at Yavatmal, Maharashtra which is run by the masses. Initially, it is unlikely that marginal farmers can raise financial resource at level of scale but to solve this situation, farmers decide to contribute and raise the financial resource. Every farmer according to his potential donates Soy. From 24 villages over 2500 people has collected Soy. Soon, they aggregate 775 quintals of soy. During procurement, the rate of soy was Rs 2600 per quintal, but when they sold they got 3620 Rs per quintal. This makes 28 lakh capital for the Producer Company the farmers appreciate the outstanding work of Reliance foundation.

On the other side, ITC Group has been focusing on creating livelihood opportunities for 6 million people through its CSR initiatives. Their e-choupal program aims to connect farmers for procuring their agricultural products through internet. Their initiatives cover 40000 villages. Their social and farm forestry assists farmer to convert their wasteland into pulpwood plantation.

CSR for internal workforce----- sit with your workforce from time to time and try to find out whether they are happy or not. It is the responsibility of the management to look after their safety, economic, social and livelihood needs. Any entity cannot deal them like machines.

Don't play with the lives of employees. Till the employee is on official duty, it become obligatory to the organization to look after them. If any of the employee get injured during working hours, it is the responsibility to immediate take them to hospitals and provide them basic safety measures as per Labor Law, 1948 say. HUL ensures safety on the top. HUL aim to prevent occupational injuries and ill health through(a) proactively evaluation of occupational illness and implement action to mute the risk.(b)Design, adapt and maintain technology plant with proper safety measures.

Do not say blunt NO, if any of the employee ask for some advance from his/her salary. Analyze the situation and find out the whole issue. It is possible fact that he/she in serious problem. In these circumstances it is inhuman to deny. Whenever workforce need help, make sure that you are there. Because management should treat them as a part of their organizational family. RIL employees are entitled to several benefits. These include health checkups for employees and spouse, domestic and international education assistance. RIL provide maternity, paternity and adoption leave; and post retirement medical insurance. Because all the employees are not aware of their benefits so they created 'Shubh' and 'labh' the two virtual characters to reach over one lakh employees to engage them in simple dialogue through animation. The main aim of this is to explain the benefit besides monetary compensation.

CSR and road safety measures-----Maruti Suzuki develop low cost and sealable driving training. The focus is on to train the trainers to achieve higher impact in imparting quality driving training. Company has made up the number of Maruti Driving Schools. Company also investing on the development of new training facilities, improvement in existing facilities and the improvement of quality of training. Company set up institute of Driving and Traffic Research (IDTRs). These institutes spread over 10 acres. Company also promote road safety measures among people through print, audio-visual aids. Company also initiate road safety programmes for the school going children, women and youth. Company signed an MOU with the National Minorities Development and Finance Corporation on 2013-2014 under which it has trained over 92000 existing and new young drivers from weaker sections between 2014-2017.

CSR and housing facilities-----INFOSYS set up many homes, hostels and day care centers for women and orphans. They also set up old age homes. GVK has provide housing facilities to 1000 underprivileged people in Kothur village of Nellore on the state of Andhra Pradesh and Mukatsar, District of Punjab.

CSR and ethical marketing-----It emphasizes that an organization must make strategic marketing keeping in mind customer preferences, perceptions, values etc. They should provide optimum satisfaction to the customers. Because business is all about the customers. Customers are the king of today's market. Marketing (advertising) which state the true fact about product build confidence and create goodwill for the firm. Firms that adopt ethical practices gain competitive advantage. Consider the example of ITC ltd. They are not targeting the product to audience of age less than 18. They are putting clear warning pictorials on the package. They never promote cigarettes.

Strategic benefit of CSR

Financial resources---as a CSR program, business entity is in constantly linked with the customers, suppliers, employees and the other parties. Because of continuous dialogue, any entity will be the first to know about the problems and the solutions of these problems regarding the product and services. Also their ideas can generate new business opportunity for the company.

Create goodwill---- any company with its CSR policy, cover the pages of newspapers and become the headlines of various news channel. In this way they will come into limelight. Community will also come to know the efforts and the rights doings of the company. Such these activities create positive image and the goodwill for the company.

Boosts sales and satisfied customers-----a record of CSR activities build positive attitude of customers toward the company. One study also revealed that 45% customers want to spend on company which is active in CSR. Because of giving values to environment and community, people don't mind to give extra payment. They can become brand loyal and never wish to change their brand. They will also refer the product to other potential customers. It will generate free publicity and save money from the expensive advertising campaigns.

Financial resources-----any company having robust CSR program faces no problem in arranging financial resources. Every investor wish to invest in that company which will do great doings for the community. Not even from the home country even the foreigners want to invest in the form of FII.

Risk management-----As reputation take decades to build up, but can be ruined in just few hours through the inclusion in corruption, scandals and unethical doings. But by giving importance to norms and culture of society these risks can be avoided and well managed.

Human resources-----as an aid, CSR initiative helps tp recruit highly qualified and experienced potentials. It may happen that potential recruit ask for CSR policy of any organization. Employees have feeling of proud to work in an CSR organization. Because of their positive attitude, they are less likely to for another job.

Government support-----as comparing to non CSR, a company with strong CSR programs will not be as much scrutinized by the regulatory authorities. The regulatory authorities will easily provide license for establishing any new subsidiary because it is being supported by the community for its work toward environment and community. Authority will also help in getting the paperwork easy that is required to set up project.

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