

The Indian Scenario of Corporate Social Responsibility

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Abstract:

Government of India provided guidelines for implementation of CSR in industries it helps the developing country like India to assist it in meeting social and environmental standards. The CSR approach is holistic and integrated with the core business strategy. CSR has gone through many phases in India. India has become the only country in the world with legislated corporate social responsibility. Now a day the increasing awareness about CSR & changing environment forces the companies to contribute for CSR fund for different activities. All corporate should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes.

Keywords: Social, Environment, CSR.

I. INTRODUCTION

Corporate social responsibility activities now days become very popular amongst corporate world. The government always tried to maintain the balance of growth in between the business & society. Since Government of India provided guidelines for implementation of CSR in industries it helps the developing country like India to assist it in meeting social and environmental standards. It is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. So it is necessary to understand the CSR activities of Indian companies.

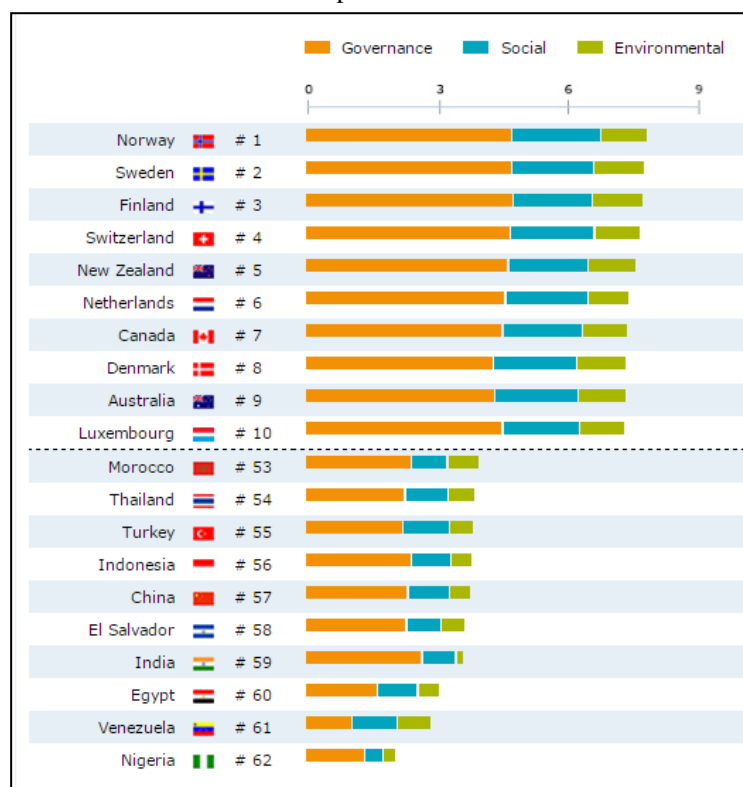


Fig.1 Graph of Country Sustainability Ranking as of Oct. 2016 (Top 10 & Bottom 10)

The country sustainability ranking 2016 developed by RobecoSAM and Robeco is a comprehensive framework for analyzing countries' ESG performance. The country sustainability score is based on 17 environmental, social and governance indicators, which receive a weight of 15%, 25% and 60% of the total score, respectively. According to the ranking India placed at 59th place in this index. It highlights the need of environmental, social & governance improvement in India. The study focused on the present CSR scenario in India.

II. OBJECTIVES OF STUDY

1. To know the concept of Corporate Social Responsibility & its growth in India.
2. To study the government provisions for companies regarding CSR in India.
3. To understand the CSR activities & spending in India.

III. RESEARCH METHODOLOGY

It is a descriptive study where the researcher collected secondary data from various sources like reports of government & international organizations, websites etc. The data interpreted & presented in the paper. The researcher tried to provide brief idea about CSR & company activities in India. The data related to company's act 2013 collected from government website & reports. The study also covers the 2014-15 & 2015-16 CSR spending of Bombay Stock Exchange (BSE) listed 250 companies.

IV. DATA ANALYSIS & INTERPRETATION

A. What is CSR?

While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Some of the definitions provided by international organizations are like...

The European Commission defines CSR as "the responsibility of enterprises for their impacts on society". To completely meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy close collaboration with their stakeholders"

The World Business Council for Sustainable Development defines CSR as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."

According to the United Nations Industrial Development Organization "Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

From the above definitions, it is clear that the CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses. It needs to address the well-being of all stakeholders and not just the company's shareholders. Humanitarian activities are only a part of CSR, which otherwise constitutes a much larger set of activities involve strategic business benefits.

B. Growth of CSR concept in India

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases. In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause.

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. Under their influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The third phase of CSR (1960-80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. However the public sector was effective only to a certain limited extent.

In the fourth phase (1980 & above) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries. Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporate. Not one but all corporate should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes.

C. CSR index India

The Bombay Stock Exchange (BSE) and the Indian Institution of Corporate Affairs (IICA) have signed an agreement to collaborate on developing a corporate social responsibility (CSR) index. The proposed CSR Index would assess impact and performance of companies listed on the BSE in CSR activities. It would also look at the performance of companies in their mandatory 2 per cent CSR spend as per the new Companies Act as one of the important criterion. Performance of the companies in CSR areas would be combined with the market performance of companies for selection of companies and the Index would be sector neutral.

D. CSR amendments in Companies ACT 2013

With the implementation of the new company law from April 1, India has become the only country in the world with legislated corporate social responsibility (CSR) and a spending threshold of up to \$2.5 billion (Rs. 15,000 crore). The new law mandates that all companies, including foreign firms, with a minimum net worth of Rs. 500 crore, turnover of Rs. 1,000 crore and net profit of at least Rs 5 crore, spend at least two percent of their profit on CSR.

Corporate Social Responsibility is not a new concept in India, however, the Ministry of Corporate Affairs, Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain companies who fulfill the criteria as mentioned under Sub Section 1 of Section 135 to comply with the provisions relevant to Corporate Social Responsibility.

According to industry estimates, around 8,000 companies will fall into the ambit of the CSR provisions and this would translate into an estimated CSR spend of \$1.95 billion to \$2.44 billion. With higher economic growth and increase in company's profits, this mandatory spending will go up.

E. CSR activities in India

Reanalysis Consultant's Pvt. Ltd. published report "Indian CSR Outlook" for year 2014-15 & 2015-16, which revealed the in-depth analysis of CSR spending in India in the first financial year after the enactment of the Companies Act 2013. The report's presents how, where and on what CSR money was spent by companies in last two years. The insights like which state gets highest CSR spent, which is the most preferred theme for CSR project implementation, how do companies implement CSR projects etc are important for companies, regulators and other stakeholders to help them plan their future CSR strategy and action-plan. It is an analysis of CSR spending of Bombay Stock Exchange (BSE) listed 250 companies. The facts provided by reports compiled & presented below.

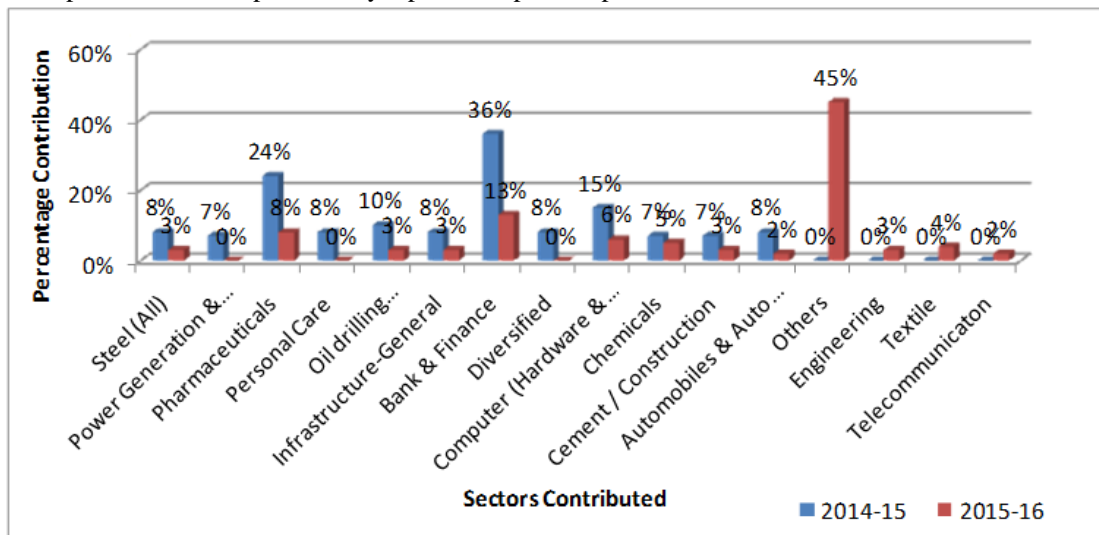


Fig.2 Graph of Sector wise percentage of Indian companies contributing to CSR

As per above graph it is concluded that the contribution of all sectors were slightly declined and the sectors other than last year contribution given more contribution. In the year 2014-15 the contribution of bank & finance sector contribution were high.

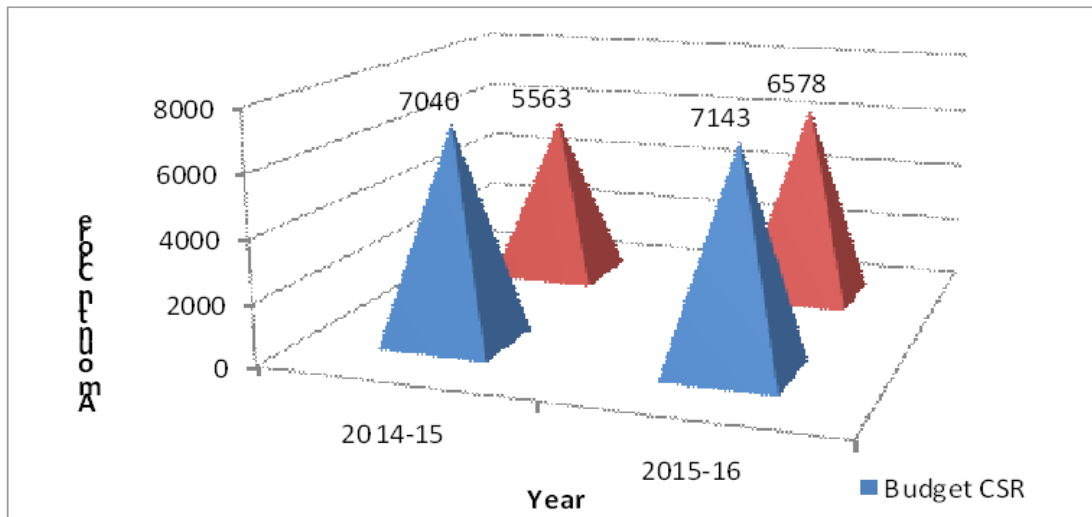


Fig.3 Graph of Prescribed CSR budget and Actual Spent by Indian Companies

The Prescribed CSR budget and Actual Spent graph shows that in year 2014-15 the companies prescribed CSR budget were Rs. 7040 Crore and actually they spend Rs. 5563 Crore which means they spend 79% of budgeted whereas in year 2015-16 companies prescribed CSR budget were Rs. 7143 Crore and actually they spend Rs. 6578 Crore i.e. 92.1% of budgeted. This is a good sign where the CSR spending percentage increased & the amount also increased.

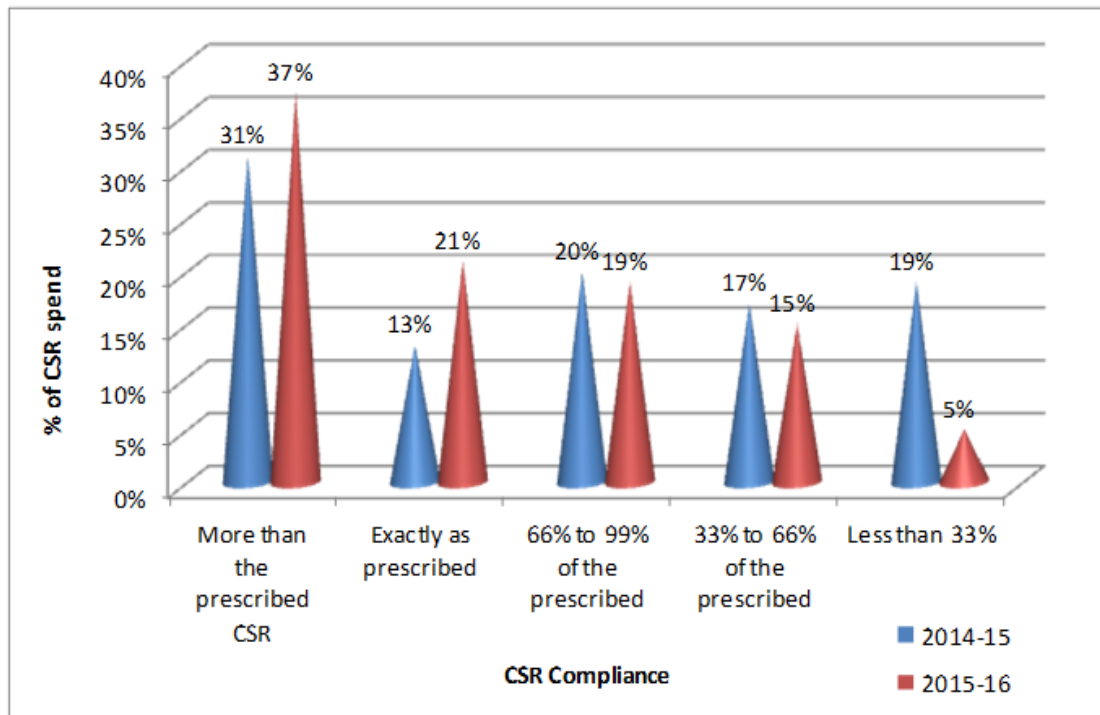


Fig.4 Graph of Actual to Prescribed CSR spent among companies

The above CSR compliance meter shows that the number of (percentage) companies spending more than the prescribed CSR is increasing from 2014-15 to 2015-16. It is also observed that the companies are increasing their spending percentage this means the companies CSR activities are increasing.

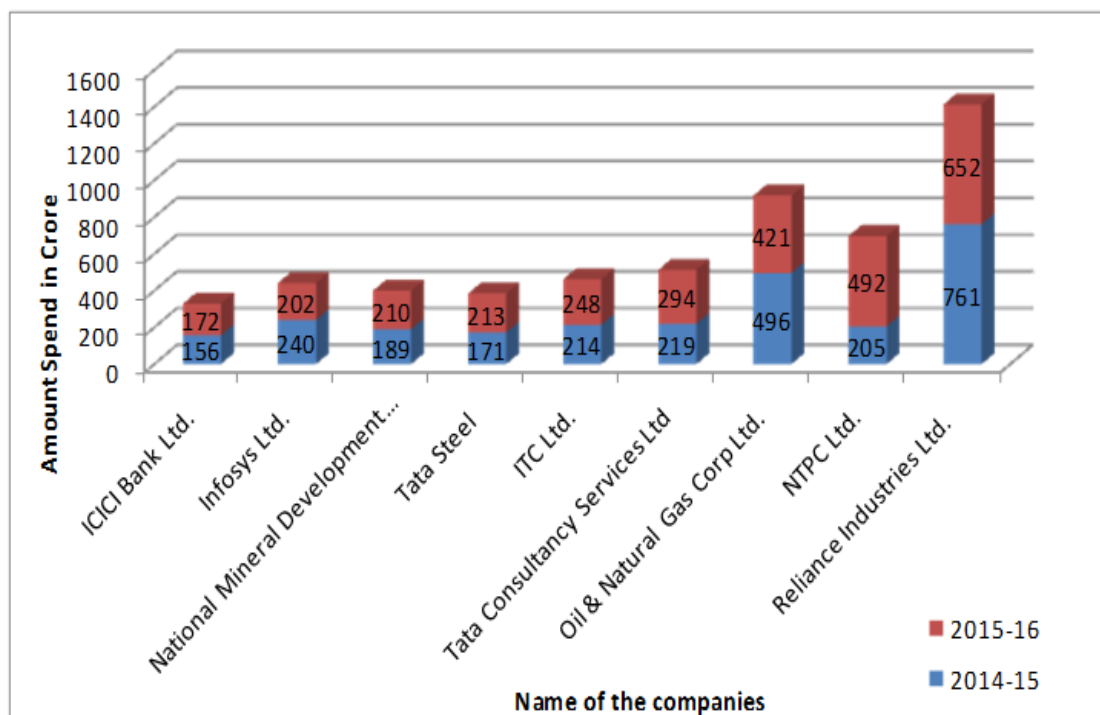


Fig.5 Graph of Top Indian companies by actual CSR spend

Amongst the top Indian CSR spending companies the contribution of Reliance Industries Ltd. is highest. In case of increase the NTPC Ltd. contribution has been increased by more than double in 2015-16. Overall the above nine companies contributes 95% of total spending on CSR in 2014-15 which slightly declines to 83% in total spending of 2015-16.

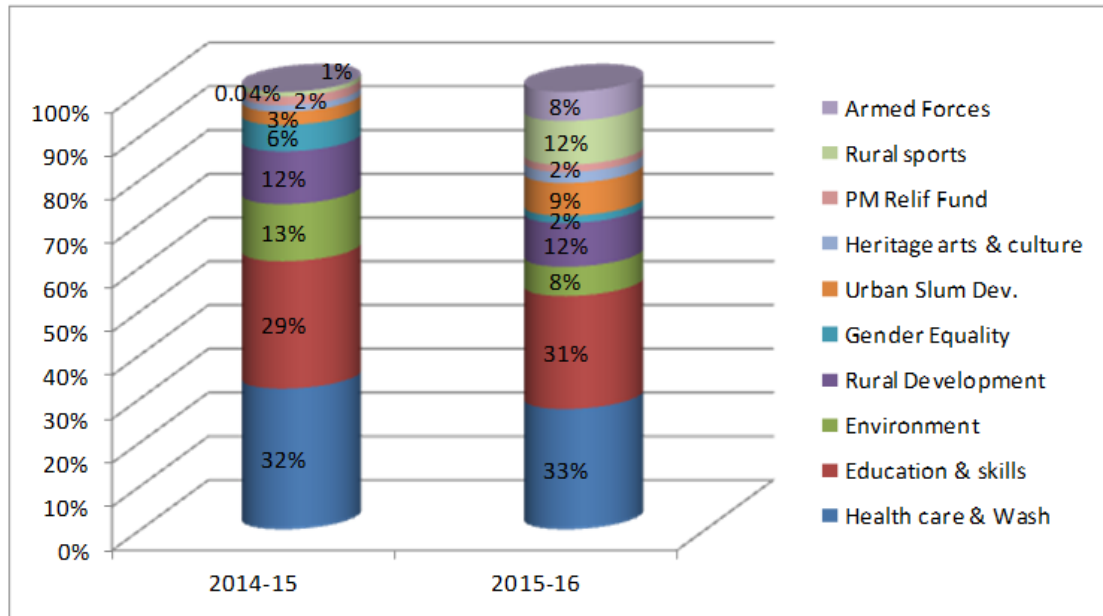


Fig.6 Graph of Break up of the CSR spend sector wise

The graph depicts that under CSR activities spending by companies most popular areas are health care & wash and Education. The other activities included environmental awareness & protection, rural development, urban & slum development etc. which has less than 15% spending.

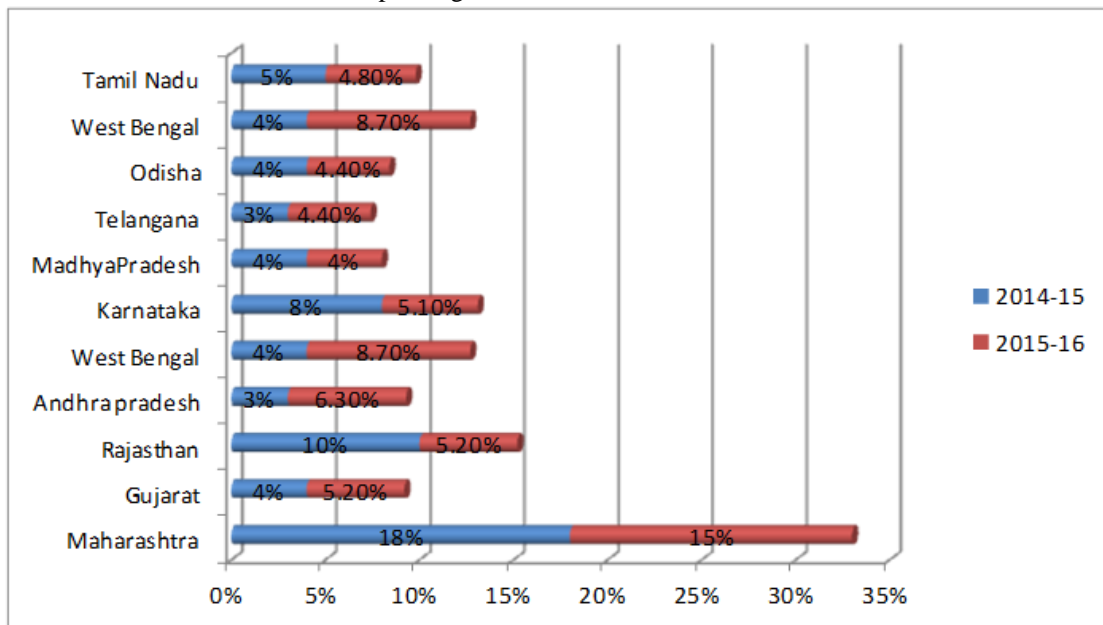


Fig.7 Graph of Geographically Distribution of CSR fund in India (Top State with CSR fund)

The above graph shows the fact that amongst the top CSR fund receiving states Maharashtra is the most popular state in receiving CSR fund, although the percentage has been decreased in 2015-16. The subsequent states are Rajasthan, Karnataka, and West Bengal. Other states are receiving less than 5% fund of total CSR funds.

The all above graphs are providing information about the present scenario of CSR in India. So the corporate social responsibility plays major role in developing country like India. It is an important factor in achieving the goal of sustainable development.

V. CONCLUSION

The corporate social responsibility is an important phenomenon for nation. According to its concept it is a responsibility of enterprises for their impacts on society. It should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy close collaboration with their stakeholders. CSR has gone through many phases in India. With the implementation of the new company law from 2013, India has become the only country in the world with legislated corporate social responsibility.

There are many sectors spending CSR fund of around Rs. 6578 Crore on various activities. Top ten companies spend 83% of CSR fund. Health care, Education & skills are the activities receiving most of the CSR fund. Maharashtra

state is the state which received highest CSR fund in India. Although the CSR activities & funds are increasing but the spending percentage need to be increase. In comparison with world scenario India stands at 59th rank in CSR index. So the need is of more positive participation from corporate world for increasing funds & activities which can brings sustainable growth.

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