

Corporate Social Responsibility In Indian Context

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ABSTRACT :

The concept of corporate Social responsibility has today become a key aspect of business philosophy and practice world over. India is one of the largest economies of the world and increasingly important player in the emerging global order. CSR has been part of Indian business for long . CSR is a broad business concept. It actually describes a company's commitment to carry out their business in an ethical way. This means managing their business process while taking account of their social, economic and environmental impact and considering human rights. Companies can fulfill this responsibility through waste and pollution reduction processes, by contributing educational and social programs, by being environmentally friendly and by undertaking activities of similar nature.

CSR can help you improve your performance, increase competitive advantage and build trust with customers and employees. It can also help you achieve operational cost, saving by avoiding costs of wasted energy or unnecessary fees. Perhaps most importantly CSR gives your company and your brand a positive image of a reputable ethical business. The purpose of this paper is to describe the concept of corporate social responsibility. The study includes the historical background of CSR, legislative structure of CSR in Indian company Act, 2013, and growing importance of CSR in India .

Keywords: Corporate social responsibility, history, legislative structure, growing importance.

Introduction:

Corporate Social responsibility is a concept whereby organizations consider the interest of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY : "CSR is about how companies manage the business process to produce an overall positive impact on society".

- According to United Nations Industrial Development Organization (UNIDO), CSR can be defined as triple bottom line (TBL) approach which can help to foster the social, environmental and economic growth of a country. The vision of CSR is to achieve sustainable developmental growth. The corporate social responsibility is different from charity as the

charity is only donating or making philanthropic activities but CSR is contributing towards the social, environmental, and economic growth of the nation.

- According to world business council: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of workforce and their families as well as of the local community and society at large."

OBJECTIVES:

To develop an understanding of concept of CSR

- To understand the historical background of CSR
- To understand the provision of the company Act , 2013 relating to CSR
- To know about of growing importance of CSR

Research methodology:

This paper is based on secondary data such as internet, journal, websites , articles books etc.

HISTORICAL BACKGROUND OF CSR :

In the global context, the CSR in the modern form has its roots in the industrial revolution of the 18th century, which took place in the UK and the other European countries. In India the industrialization and independence struggle went on side by side . Consequently the idea of CSR worked with freedom movement which was mostly dominated by Gandhian philosophy. Mahatma Gandhi advocated the systems of trusteeship, which required that property under the control of a private person, the person must regard himself as its proprietor not its master this is derived from the ideal of non-possession influenced by Gandhi and as a result most businessmen . In India saw their business empires as a "trust' held in the interest of community at large.

In the modern context the term CSR gained in early 1970's where as by 1990's the concept was fully recognized. Individuals and organizations across the global started supporting it. This can be underpinned by the fact that in 1977 less than half of fortune 500 firms mentioned CSR in their annual reports where as at the end of 1990, nearly 90% of fortune 500 firms imbibed CSR as an essential component in their organization goals and activity supported their CSR initiative in their annual reports.

Liberalisation of the economy in 1991 saw the private sector become an entity in itself . Increased gravity momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalisation transformed India led a focus towards labour laws, environment standards in developing countries there by giving birth to more structured form of social responsibility where activity on various stakeholders.

Twenty first century witnessed company's focus from profit and philanthropy to community affairs to corporate community investments to sustainable development. Corporate social responsibility is now firmly rooted on the national business agenda after the companies' act 2013 and CSR become imperative for the management of the corporate

to make sincere and concerned efforts towards its responsibility to the society in which it operates.

LEGISLATIVE STRUCTURE OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA : India is the first country in the world for giving legislative structure to corporate social responsibility by bringing it within the ambit of company act.

The section 135 of companies act, 2013, Schedule VII of the Act and corporate social responsibility rules 2014 by the ministry of corporate Affairs Government of India clearly provides the rules and guidelines regarding applicability scope, definitions, nature of the activities for CSR, CSR committee, and policy, CSR reporting and the minimum expenditure (as a percentage of profit) etc.

APPLICABILITY (SECTION 135 (1)):

1. This section applies to a company on 1st April 2014 (including a foreign company) only if it satisfies one or more of the following criteria in any F.Y. :

The net profit of the company is Rs 5 crore or more

The net worth of the company is 500 crore or more

The turnover of the company is Rs 1000 crore or more

2. Every company which ceases to fulfill the above criteria for 3 consecutive F.Y. shall not be required to :

Company with the provision contained in section 135, till such time it meets the criteria above and constitute CSR committee.

CONSTITUTION OF CSR COMMITTEE:

1. Every company to which section 135 applies shall constitute a CSR committee of the board
2. The CSR committee consist of 3 or more directors
3. Out of 3 directors, at least 7 director shall be an independent director.
4. An unlisted public company or a private company which it not required to appoint an independent director shall have its CSR committee with out any independent director,
5. A private company having only 2 directors on its board shall constitute its CSR committee with 2 directors only
6. In case of a foreign company, the CSR committee shall comprise of at least 2 persons of which one person shall be a person resident in India authorized to accept on behalf of the foreign company service of notices and other documents, and the other person shall be nominated by the company .

▪ **Duties of CSR committee (section 135(c)):**

1. The CSR committee shall formulate a corporate social responsibility policy and recommend to the board which shall indicate the activities to be undertaken by the company as specified in Schedule VII,
2. The CSR committee shall recommend the amount of expenditure to be incurred on the activities, and

3. Monitor the corporate social responsibility policy of the company from time to time.

▪ **Expenditure on CSR and area of coverage (section 135 (5)):**

1. The board shall ensure that the company spends in every F.Y. at least 2% of the average net profits of the company made during the 3 immediately preceding F.Y. in pursuance of its CSR policy.
2. The company shall give preference to the local areas and areas around it where it operated for spending the amount ear marked for corporate social responsibility activities
3. If the company fails to spend such amount, the board shall disclose the reason for not spending the amount in its report.

Activities to be undertaken under CSR (schedule VII):

1. Eradicating hunger, poverty, and malnutrition, promoting, preventive health cares and making available safe drinking water.
2. Promoting of education
3. Promoting gender equality an empowering women
4. Reducing child mortality and improving maternal health
5. Ensuring environmental sustainability
6. Employment enhancing vocational skills
7. Social business projects
8. Slum area development
9. Protection of national heritage, art and culture.
10. Contribution to the prime minister's national relief fund or any other fund set up by the government .
11. Combating human immunodeficiency virus, acquired. Immune deficiency syndrome, malaria and other diseases
12. Promotion of sports
13. War widows and depends
14. Measures to benefit armed forces veterans
15. Protection of flora and fauna

Reporting for CSR (rule 8 of CSR rules):

- Rules of the CSR rules, 2014 provides that the companies on or after 1st april 2014 shall be required to incorporates in its board's report an annual report on CSR containing the following particularrs:
 - A brief outline of the company's CSR policy, including overview of projects proposed to be undertaken and a reference to the web-link to the CSR policy and projects
 - The composition of the CSR committee.
 - Average net profit of the company for the last three financial year
 - Prescribed CSR expenditure
 - Details of CSR spent during the financial year.
 - Reason if company fails to spend the specified percentage of profits .

Growing importance of CSR :

In recent year, corporate social responsibility has become a higher priority for companies as they recognize the numerous benefit to their businesses employees, communities and the environment. Being a good corporate citizen is an increasingly important objective for many successful organisations. The establishment of a CSR strategy is vital component of a company's competitiveness and something that should be led by the firm itself .This means having policies and procedures in place which incorporate social, ethical, human rights, environmental or consumer concerns into business operations and care strategy with all stakeholder.

Apart doing better for society and the CSR, can be a significant competitive advantage in today's highly competitive environment.

- In the interest of enterprises: CSR gives high benefits to companies in risk management, cost savings, access to capital, customer relationships, HR management and their ability to innovate.
- In the interest of the economy:- CSR provides companies more sustainable and innovative, which contributes to a more sustainable economy.
- In the interest of society :- CSR offers a set of values on which we can build a more cohesive society and base the transition to a sustainable economic.

Conclusion

Finally we can conclude that corporate social responsibility is currently playing an important role in economic development. And CSR encourages business accountability to a wide range of stakeholders , shareholders and investors. The key are of concerns are the environment protection, and the social well being of people in society, both now and in the future. CSR has a variety of policies such as giving to organization, providing products and services to consumers reducing harmful waste, and treating their employees with moral ethics. Corporate social responsibility is the best thing that was implemented into business both large and small, in this was the environment and society can be treated the way it supposed to , with respect. CSR is something that every one can benefits from, when businesses adopt its policy.

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