



Corporate social responsibility: Gaining popularity in India

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Abstract

In the recent years corporate social responsibility (CSR) becomes very popular in developing countries such as India. CSR provides a platform where corporate can spend for the upliftment of the society. Since India is extremely large country in terms of population and on an average two-third of the population lives below the poverty line, therefore there is huge scope for corporate social responsibility. Before 2013, the CSR was totally voluntary that is it depends upon the choice of the corporate, whether they opt CSR or not, but in 2013 the government of India made CSR compulsory by implementing The Companies Act, 2013. The Companies which fulfil the criteria mention under section 135 of the companies Act, 2013 needs to spend at least 2% of its last three years' average net profit in CSR fund. These companies can spend several areas such as education, rural livelihood woman empowerment, healthcare, environment etc. It has been observed that companies' interest towards CSR activity increases day by day. Indian companies participated in CSR activity very aggressively and cross prescribed limit, mentioned in section 135 of The companies Act, 2013. Although the Indian companies put their effort to bring poor people into main streamline, but it is not enough. These companies need to intensify their approach to cover all the deprived people. This paper is all about the how CSR is becoming popular day by day in India.

Keywords: corporate social responsibility, CSR, popularity, recent development, progress

Introduction

Corporate social responsibility, popularly known as CSR is not a new concept. Industrialists were always concern about society. However, it is true modern concept of CSR has been spread through concept of globalization. The evolution of the CSR constructs beginning in the 1950s, which marks the modern era of CSR. Definitions expanded during the 1960s and proliferated during the 1970s (Carroll 1999) [5]. In the Coming decades, the perspective of society towards corporate had changed and modern concept of Corporate Social Responsibility (CSR) was evolved. The term CSR includes environmental, social, and human rights-based initiatives. The concept of CSR is practicing in many countries. Several researchers defined CSR in their own words moreover the main theme of CSR is to understand that business has some responsibility to society.

The main concept of CSR is social welfare activity by the corporate. Today the scope of CSR is broader than earlier. CSR focus on overall areas of development. Business enterprises have undertaken CSR initiatives in the areas of water conservation, healthcare, rural welfare, environment protection, poverty alleviation, education, community investment projects, culture and heritage, bio-diversity, disaster management, culture and heritage, green environment, product responsibility, governance, waste management and gender equality etc. Like India several countries has introduced a separate law in order to regulate companies' CSR activity. Companies also use it an opportunity and try to inform about their social activity. Several concepts in CSR have been given by several philosophers and researcher. Mahatma Gandhi has proposed Ethical model of CSR, in which he described voluntary participation by the companies for social welfare. This was followed by the Statist model given by Jawaharlal Nehru, in this model, he stated that state-driven policies included state

ownership and legal requirements determine corporate responsibility. Milton Friedman introduced liberal model which stated that corporate responsibility should focus on owner only. Another theory is stakeholder theory which is given by R Eedard freeman, this model emphasizes on the stakeholder of the companies. It focuses on welfare of the stake holder such as employee, customer, community, government etc.

CSR in India

CSR plays an important role in poverty alleviation programme and strengthen government sponsored scheme specially developing country such as India. Before the 1960s the CSR works merely corporate philanthropy, it was practice purely voluntary basis. It was also limited to few big corporates only. However, with time, the scenario of CSR has changed from philanthropic to socially responsible. CSR had emerged as a separate activity from corporate philanthropy during the period of 1960s.

In year 2007, the government of India adopted Inclusive growth under 11th five-year plan. It was the first attempt by government of India to act towards CSR. In 2009, Ministry of Corporate Affairs had issued 'Voluntary Guidelines on Corporate Social Responsibility. It was first official step towards business responsibility, Later this was renamed, as 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011'. The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs (MCA) in July 2011. It comprised a set of nine principles. These nine principles are:

(i) Conduct and govern themselves with ethics, transparency and accountability. (ii) Provide goods and services that are safe and that contribute to sustainability throughout their life

cycle. (iii) Promote the well-being of all employees. (iv) Respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. (v) Respect and promote human rights. (vi) Protect and make efforts to restore the environment. (vii) When engaged in influencing public and regulatory policy, they should do so in a responsible manner (viii) Support inclusive growth and equitable development. (ix) Engage with and provide value to their customers and consumers in a responsible manner.

To ensure the active participation of public sector companies and private sector companies in CSR initiatives, the government of India wanted to convert participation from voluntary into mandatory. Eventually in 2013, the government of India introduced a bill in the parliament called The Companies Act 2013. This act was introduced to replace decade old the Companies Act, 1956. The Ministry of corporate affairs, Government of India introduced separate section namely section 135 especially for CSR. After getting the accent from president, the bill became Act and came in to force from 1 April 2014.

Section 135 deals with certain norms relating to the CSR policy. The section 135 is all about spending guideline. It states that any company whose turnover is more than or equal to 1000 crore or Net worth is more than or equal to 500 crore or net profit is more than or equal to 5 crore, those company have to spend not less than 2 % of last three years' average net profit.

Now it mandatory for all public sector as well as all private companies, which fulfil above criteria, have to spend 2 per cent of their net profits on corporate social responsibility. The central government is working on a framework for quantifying the CSR initiatives of companies to promote them further.

The companies Act. 2013 also provides a guideline for area of CSR activity under schedule VII.

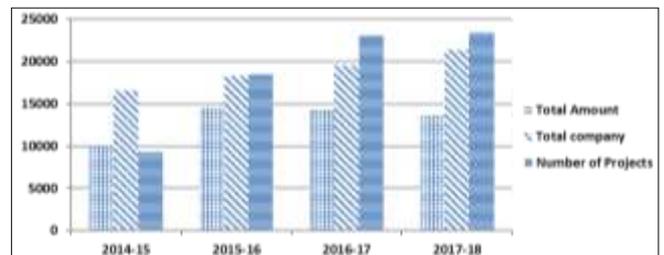
Under this it has been clearly mentioned the area where companies need to spend as well as it is also mentioned that what kind of activity will not be counted under CSR.

For keeping an eye to defaulter companies, The Ministry of corporate affairs has made a provision for punishment under section 134 of the companies Act, 2013. Under this section, if companies fail to comply with the prescribed spend, The Ministry of corporate affairs has a power to impose a fine of fifty thousand rupees and it can be extend up to twenty-five lakh rupees. It has also a provision for those officers of the company who is found default shall be punishable with imprisonment of three years or with fine of fifty thousand rupees and it may extend to five lakh rupees.

Gaining popularity

Companies have started to give more importance to CSR. The companies have realized the impact of CSR on its stakeholder. The CSR has capability to bring change in

society also it can play an important role in community development. Public sector is also competing with private sector in CSR spending. Some private spend CSR fund through NGO, whereas some companies spend directly to public. The spending in CSR is increasing year by year. The number of companies also increases every year. These companies spend several projects every year and also it tries to maximize number of welfare projects. According to the data issued by National CSR data portal, Ministry of corporate Affairs, 16548 companies have participated in CSR activity and these companies contributed 10066 crore rupees in the financial year 2014-15. Whereas In the financial year 2015-16, 18290 companies has spent 14517 crore in 18423 projects, similarly 19539 companies has spent 14330 crore in 23008 projects in the year 2016-17. 21397 companies have spent 13624 crore in 23489 projects in year 2017-18. The number of company participated in the year 2017-18 is 29.30 % more than that of year 2014-15 also the spending amount has increased by 35.34% in four years. It shows the growth of CSR in India.



Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

Graph 1: Number of companies and their spending in four financial years Amount in crore (INR)

Table-1 shows top five CSR spending companies. Reliance Industries Limited emerged as India’s top CSR spending company. It always spent in CSR fund more than the prescribed limit. Due to its enthusiasm and serve for society it maintains top position. Apart from Reliance, state owned Oil and Natural Gas Corporation Limited abbreviate as ONGC Limited also spend a heavy amount and came second or third position. However, Tata Chemicals Limited has been ranked as the number one company for Sustainability & CSR practice in Responsible Business Ranking 2019. Tata Chemicals Limited achieved top position third times in a row. The study was conducted by Futurescape. The study revealed that several companies have moved up in the list compared to previous ranking. Infosys, Bharat Petroleum, Hindalco and Toyota Kirloskar Motors were one of the chief companies of the list. Bharat Petroleum Corporation Ltd was only public sector company which made its position in top ten company list.

Table 1

S. N	2014-15		2015-16		2016-17		2017-18	
	Company Name	Amount INR Cr.						
1	Reliance Industries Limited	760.58	Reliance Industries Limited	639.70	Reliance Industries Limited	649.26	Reliance Industries Limited	745.04
2	O.N.G.C Limited	495.23	N.T.P.C Limited	491.80	O.N.G.C Limited	504.91	O.N.G.C Limited	482.07
3	Infosys Limited	239.54	O.N.G.C Limited	408.99	Tata Consultancy Limited	380.00	Tata Consultancy Limited	400.00

4	B.H.E. L	239.11	Tata Consultancy Limited	280.22	HDFC Bank	305.42	HDFC Bank	374.55
5	Tata Consultancy Limited	218.43	I.T.C Limited	247.50	Infosys Limited	289.44	Indian Oil Corporation Limited	331.01

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

Table-2 shows the different development sector, where Indian companies spent in CSR fund. Earlier the area for CSR spending was very limited. Education, environment, women’s empowerment, health were few areas where companies used to spend for social welfare activity. But nowadays the area for CSR activity became very broad. It includes government scheme such as “Clean Ganga Fund”

and “Swachh Bharat Kosh”. By spending these government scheme, the companies provides strengthen to government. Technology Incubator, Benefit of Armed forces, encouraging sports are few areas where companies started spending CSR fund. Thousands of student who studies in technical institution get benefited from CSR activity through technology incubator centre in universities & colleges.

Table 2

Sector wise distribution of amount spend in CSR fund					
S. N	Development Sector	2014-15 (INR Cr.)	2015-16 (INR Cr.)	2016-17 (INR Cr.)	2017-18 (INR Cr.)
1	Clean Ganga Fund	5.47	32.82	24.37	2.11
2	Education, Differently Aabled, Livelihood	3188.09	4942.55	5511.29	3486.76
3	Encouraging Sports	57.61	138.92	178.52	121.94
4	Environment, Animal welfare, Conservation of Resources	853.99	972.34	1311.15	1006.36
5	Gender Equality, Woman Empowerment, Old Age Homes, Reducing Inequalities	189.92	342.46	463.49	274.79
6	Health, Eradication Hunger, Poverty and Malnutrition, Safe Drinking Water, Sanitation	2525.92	4607.51	3640.19	1773.53
7	Heritage Art and Culture	117.37	119.08	304.42	212.42
8	Other Sector (Technology Incubator and Benefits to Armed Forces And Admin Overhead)	9.50	37.91	60.17	21.44
9	Prime Minister National Relief Fund	228.18	217.23	157.58	60.40
10	Rural Development	1059.34	1379.08	1548.94	1066.51
11	Slum Area Development	101.14	14.30	51.46	4.70
12	Swachh Bharat Kosh	113.86	325.19	183.83	118.69
13	Any Other Fund	277.09	332.91	417.98	215.66
14	NEC/ Not Mentioned	1338.39	1065.22	388.95	0.00

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

Ministry of Corporate Affairs, Government of India has instituted National Corporate Social Responsibility (CSR) Awards. It is abbreviated by NCSRA. The main objective is to recognize companies that have made a positive impact on the society through their innovative & sustainable CSR initiatives. The NCSRA is given in different categories. Based on CSR spending by companies, “Awards for excellence in CSR” is given to maximum four companies. In Aspirational Districts category “Awards for CSR projects” is given to maximum five companies. In National Priority Areas category eleven awards for CSR projects is given. Apart from these categories three separate awards are also given to micro, small and medium enterprises (MSMEs). These initiatives of the government not only motivate companies for CSR spending but also making CSR popular in the country.

Challenges of CSR

Although CSR is gaining popularity very rapidly in India, but there are several challenges which hinders growth and development of CSR. Lack of Expertise is one of the important challenges which Indian companies are facing. Indian companies do not have expertise in spending CSR fund. Expiries help in application of fund wisely, and it also provides maximum output. Lack of Budget allocation is also one of the obstacles in CSR spending. Large companies have huge profit therefore it can easily spend amount in CSR, but due to low profit small companies faces with scarcity of fund problem and unable to spend in social welfare activity. Lacks of Interest is another loophole, small companies do not take adequate interest in CSR activities,

and also it does not have enthusiasm for welfare activity. In small companies, lack of support from employees is also a problem in growth of CSR activity. Generally, in small companies the concentration of employees is towards earned salary and other monetary benefit. They have lack of proper support for CSR activity. Media does not give proper recognition to that company which work for social activity. Lack of media attention reduces the motivation for CSR activity. Uneven distribution of CSR activity is also an obstacle in development of CSR programme. CSR activity organised by companies is concentrated to limited area only, remote area which are required more such welfare activity, are marginalised by corporates.

Suggestions

In order to improve the intensity of CSR activity, companies should perform their CSR activities in less developed area, it brings balance growth. Employees should be encouraged for voluntary participation in social activity through recognition and incentives. Small companies should be encouraged to participate in social welfare activity by providing relaxation in taxes or similar kind of provisions. Media should also provide appreciation to such company which are engaged in social welfare activity. Small companies or less expertise companies should sign MOUs with Government Ministry or NGOs for better allocation of fund.

Conclusions

Corporate Social Responsibility is very important tool for social welfare. There is huge scope for CSR in India. The

concept of CSR has been recognised globally, and it has been promoted by different country as well. Public get benefit from the CSR activity. In India, after the introduction of Companies Act, 2013 the spending in CSR is increasing year by year. Public and private sector simultaneously spend in social welfare activity, which makes government effort lucid also it provides reinforcement to government sponsored social welfare scheme. However, there is some challenge in it, government should make some strategy to overcome the problem, also government should encourage research in this area in order to search news facts which would be more beneficial to public.

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