



The rise of CSR policy: A tool for sustainable development in the selected company of Banswara

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Abstract

Warren Buffet once said, "It takes 20 years to build a reputation and only 5 minutes to ruin it." Organisation should not only be responsible morally to the stakeholders but also to the society, environment and toward a sustainable nation at large. In 2004, The World Bank denoted that CSR is the commitment of businesses to contribute to sustainable economic development working with employees, their families, the local community and social at large to improve their quality of life in ways that are both for business and good for international development. For bringing back and maintaining the general balance in the economic and social arena it is evident to think deeply and act wisely about Corporate Social Responsibility. The population of southern Rajasthan, mainly Banswara and Dungarpur districts engaged in agriculture and animal husbandry activities. Although the government had taken many steps for poverty eradication in this region but it is joint responsibility of both government and corporate sector to play an active role for sustainable development by adoption and implementation of the CSR policy. In this paper, Researchers have done a comparative study of CSR policy practices by SYNTEX LTD. for the period before and after enactment of The Companies Act, 2013.

Keywords: Sustainable economic development, corporate social responsibility, poverty

1. Introduction

The responsibilities of corporations are described consisting of three concentric circles. (a) Inner Circle: Clear cut, basic responsibilities for the efficient execution of the economic function, products, jobs and economic growth. (b) Intermediate Circle: Encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities. (c) The Outer Circle: Newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment.

Corporate Social Responsibility is predominantly considered as a western phenomenon due to strong institutions, standards, and appeal systems which are weak in developing countries of Asia. Many other names were used for CSR such as socially responsible business, responsible business conduct, responsible entrepreneurship, corporate citizenship, and corporate accountability. The purpose of CSR is to make corporate business activity and corporate culture sustainable in three aspects: economic, social and environmental. Corporate social responsibility has become an increasing concern of business managers as companies are evaluated not only on financial, but also on social performance. Corporate Social Responsibility is the continuing commitment by business to behave accordingly to the business ethics and contribute to the economic development, while improving the quality of life of the workforce and their families as well as local community and society at large. Environics International, (2001) a 20-country public opinion survey found that India is the last in the level of CSR demanded from companies in any country. Financial Times (2014) reported that the Fortune 500

companies have spent more than \$15 billion on CSR, and the publication indicates that this spending has come in various forms, which include: donating free drugs (Johnson & Johnson), giving free software (Oracle), investing in educational Programs in developing countries (Prudential) or creating a more productive work environment for various minority groups (Chicago Fed).

1.1 Applicability of CSR policy

The companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April, 2014.

The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water;
- Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently unable & livelihood enhancement projects;
- Promoting gender equality, empowering women, setting

up homes & hostels for women & orphans, setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups;

- Reducing child mortality and improving maternal health by providing good hospital facilities and low cost medicines;
- Providing with hospital and dispensary facilities with more focus on clean and good sanitation so as to combat human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water;
- Employment enhancing vocational skills.

2. Literature Review

The concept of corporate social responsibility generally, agreed by the historians, emerged in the 1930s to 1940s and became formalized in 1953 with the publication of book named 'Social Responsibilities of the Businessman' by Howard Bowen. However, the term CSR became only popular in the 1990s. According to the World Business Council for Sustainable Development, 1999 "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large."

Davis (1960) argued that social responsibility is a nebulous idea but should be seen in a managerial context. He asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning as having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook.

Creyer & Ross, (1997) found that consumers take into consideration firms' CSR activities when making purchase decisions, noting that doing so may either increase their purchase intention or make them willing to pay higher prices for the firms' products and services. Bhattacharya & Sen, (2004); Pen Schoen Berland, (2010) also revealed the same in their study.

Goyder (2003) argued that Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, govt. and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose.

Kotler and Lee (2005) argue that companies participate in CSR in order to look better, feel better, do better and live longer. They explain that by participating in CSR the company will look good in the view of potential customers, business colleagues, investors and in the media etcetera.

Garvy & Newell, (2005) found that accountability for CSR activities is one grey area of business given the fact that though it is mandatory for a corporation to declare and follow

Social responsibilities, there are no rules and regulations that it needs to compulsorily abide by; therefore making it necessary to have stringent assessment due to the various factors that affect dissemination of good CSR practices.

Aksak, Ferguson, & Duman, (2016); Kim, (2014) Corporate reputation researchers have proposed that CSR engagement can benefit corporations by creating intangible assets The positive relationships between CSR and employee commitment, retention and attracting new employees also have been observed in empirical studies.

Kim & Park, (2011); Sen, Bhattacharya, Korschun (2006).

3. Research Methodology

3.1 Objectives of the Study

1. To understand the concept and scope of corporate social responsibility and getting an insight in CSR practices in the light of the case study of the Banswara Syntex Ltd.
2. To promote CSR activities in order to have a sustainable development of the society.
3. To make comparison between pre and post ways of doing CSR by the company.
4. To measure the contribution of the company for the welfare of the society, after enactment of the Companies Act, 2013.

3.2 Sources of Data

Secondary data inclusive of quantitative and qualitative data collected from various sources including books, research papers, newspapers, magazines, and websites is used for the purpose of study. Researchers personally visit CSR project location in Banswara to collecting images of work done by the Syntex Ltd.

3.3 Background of the Company-Banswara Syntex Limited

1976: Year of incorporation.

1976: Started production initially with 12500 spindles.

1993: Started cloth Weaving activity with the brand name of BANTEX mainly for domestic market.

2004: Started production of Readymade Garments

2005: Banswara Textile Mills Ltd. (BTM), an associate firm engaged in fabric finishing activity, amalgamated with the company.

2006: The Company also entered into Joint Venture with French Company Carreman.

2007: Started first unit of 18 MW captive thermal power plant.

2008: Started production of Made-up's and Worsted Spinning.

2011: Started second unit of 15 MW captive thermal power plant.

2011: Started production of wool & wool mixed fabrics in the brand name of "SaintX" for domestic supply.

2012: Entered into Joint Venture with French Company Treves SA for Automotive Textiles.

2015: Bought the complete stake in Carreman JV after increasing its stake to 80% in 2012.

2016: Started a new brand SOGNARE for domestic sales.

Stock code: Number in NSDL and CDSL for equity shares - ISIN INE 629 D01012

BSE Limited, Mumbai - 503722

National Stock Exchange of India Ltd., Mumbai – Banswras

4. Data Analysis and Interpretation

The company used Average of last proceeding 3 years Profit

after Tax (PAT) to calculate CSR obligation in year 2015 and 2016. In year, 2017, company changed its CSR policy so that they took Profit before Tax (PBT) in place of PAT. Researchers study the CSR obligation of company by taking both PAT and PBT in calculation.

Table 1: Average Profit and Actual CSR Data of Banswara Syntex Limited Company

| Year | Profit Before Tax (PBT) | Average Profit of Past 3 Years (PBT) | Profit After Tax (PAT) | Average Profit of Past 3 Years (PAT) | 2% CSR on AVG PBT | 2% CSR on AVG PAT | Actual Spent |
|------|-------------------------|--------------------------------------|------------------------|--------------------------------------|-------------------|-------------------|--------------|
| 2009 | 1129.5 | - | 959.13 | - | - | - | - |
| 2010 | 4333.63 | - | 3087.66 | - | - | - | - |
| 2011 | 6250.98 | - | 4692.84 | - | - | - | - |
| 2012 | 1730.03 | 3904.7 | 1488.7 | 2913.21 | 78.09 | 58.26 | 13.98 |
| 2013 | 2108.82 | 4104.88 | 1206.56 | 3089.73 | 82.04 | 61.79 | 40.48 |
| 2014 | 4804.72 | 3363.28 | 2662.77 | 2462.7 | 67.27 | 49.25 | 4.97 |
| 2015 | 1445.58 | 2881.19 | 802.92 | 1786.01 | 57.62 | 35.72 | 19.77 |
| 2016 | 4382.88 | 2786.37 | 2719.67 | 1557.42 | 55.72 | 31.15 | 31.15 |
| 2017 | 2291.16 | 3544.4 | 1657.9 | 2061.79 | 70.89 | 41.24 | 47.59 |

Table 2: Percentage of Actual Spent on Profit after Tax (In Lakhs)

| Year | Average Before of Past 3 years (PBT) | % Change in AVG. Profit Before Tax | Actual Spent% on AVG. Profit Before Tax |
|------|--------------------------------------|------------------------------------|---|
| Pre | | | |
| 2012 | 3904.7 | - | 0.36 |
| 2013 | 4104.88 | 5.1 | 0.99 |
| 2014 | 3363.28 | -18.07 | 0.15 |
| Post | | | |
| 2015 | 2881.19 | -14.33 | 0.69 |
| 2016 | 2786.37 | -3.29 | 1.12 |
| 2017 | 3544.4 | 27.2 | 1.34 |

Table 3: Percentage of Actual Spent on Profit before Tax (In Lakhs)

| Year | Average Profit of Past 3 Years (PAT) | % Change in AVG. Profit After Tax | Actual Spent% on AVG. Profit After Tax |
|------|--------------------------------------|-----------------------------------|--|
| Pre | | | |
| 2012 | 2913.21 | - | 0.48 |
| 2013 | 3089.73 | 6.06 | 1.31 |
| 2014 | 2462.7 | -20.29 | 0.2 |
| Post | | | |
| 2015 | 1786.01 | -27.48 | 1.11 |
| 2016 | 1557.42 | -12.8 | 2 |
| 2017 | 2061.79 | 32.38 | 2.3 |

4.1 Data Analysis

- Total of three years CSR contribution before enactment CSR policy- 59.43 Lakhs
- Total of three years CSR contribution after enactment CSR policy:
 - On Profit After Tax (2015-2017)
 - Total of CSR obligation in three years = 108.12 Lakhs
 - Total of CSR Spent in three year = 98.51 Lakhs
 - Total of CSR Unspent in three years(A-B) = 9.61 Lakhs
 - On Profit Before Tax (2015-2017)
 - Total of CSR obligation in three years= 184.23 Lakhs
 - Total of CSR Spent in three years= 98.51 Lakhs
 - Total of CSR Unspent in three years(A-B) = 85.72 Lakhs

5. Findings of the Study

- The data of Company indicates that there was continues downfall in average profit of past years due to changes in profit earned by the company. During the selected years of the study; in year, 2009 the company earned profit was minimum and in 2011 it was maximum.
- During Post Era (After 2014) the company earned minimum profit in the year 2015 and maximum in year 2016.
- Before enactment of the Companies Act, 2013 the company contributed total 59.43 Lakhs in three years. This indicates that the company believes in business ethics and sustainable development.
- After enactment of the Companies Act, 2013; data of company indicates that total 98.51 Lakhs contributes for CSR activities in three years 2015-2017.
- The company calculated CSR obligation in years 2015 and 2016 based on profit after tax. On the date 12th January 15, 2016; Ministry of Corporate Affairs issued a notification. In this point 4 described that Profit before tax must be taken for calculating CSR obligation. In year 2017, the company implemented it in new CSR policy. According to the company-

- Total CSR obligation in three years = 137.76 Lakhs
- Actual spent in three years = 98.51 Lakhs
- Unspent in three years = 39.25 Lakhs

6. Suggestions

- The Company should follow same CSR policy for long term basis.
- The Company should try to deliver what needed the most to the society.
- Periodic review of the CSR activities should be conducted by every business entity so as to identify the pitfalls and the areas left out.
- NGOs should be encouraged to act in collaboration for the CSR activities under different schemes and projects as they play a crucial role in the upliftment of the masses.

7. Conclusion

CSR is the best tool for sustainable development of society

and economy of the nation. The company can create a very positive image and goodwill in society through CSR contribution. It will be helpful for the company in long-term because no company can survive without cooperation of internal staff as well as the local community of that area. The company more focused on plantations, forestry, green environment, water resources management, women empowerment and also in clean India mission of Prime Minister Narendra Modi. Researchers examined the CSR activities of company in both quantitative as well as qualitative terms and conclude that the company done the task in the best way.

8. Acknowledgement

We express our sincere thanks to Ms. N C Raghavi, Mr. Dhaval Nakum and Mr. Pankaj Sharma for their tireless and timely support during the research process.

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