



## Corporate social responsibility: A farce or an opportunity

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### Abstract

Out of the various concepts evolving, the three P's concept is gaining momentum in the corporate world. Corporate world is mainly concerned with the first 'P' that is the profits. The business profits are something to be earned at any cost. It is something for which they are born, their ultimate goal. To achieve this goal everything is fair. Right from the Industrial revolution, the mass production has become an inbuilt weapon to reduce the cost. More and more industries are coming up. More And more society is getting involved. The surroundings are getting affected and ultimately the planet suffers. In its race for making money, the corporate world has always neglected these two stakeholders; namely the society i.e. The People and the surroundings, the Planet. In the last two decades however, the people are becoming aware of ill effects of industrialization. Voices are raised all over world making the corporate world aware and responsible for its resultant destruction. The society has understood the meaning of limited resources and is asking for the repayment / reimbursement of these resources. Soil pollution, air pollution and water pollution has raised the question on our existence and the future of our young generation. Here comes CSR. Each and every Government in the world is now awakened to this concept. Many a times in the process of making profits the business world do forget that their input as well as output is dependent on the society. It is therefore responsible to the society.

**Keywords:** industrialization, stakeholders, corporate

### Introduction

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our young generation. Here comes CSR. Each and every Government in the world is now awakened to this concept. Many a times in the process of making profits the business world do forget that their input as well as output is dependent on the society. It is therefore responsible to the society.

Every company in India is required to spend 2 % of average of preceding three years profits on community development. They may do so by creating a trust or a fund or by creating a partnership with a NGO. They have to choose an area wherein it will be beneficial to the society. This expenditure has to be disclosed in their annual financial statements. They have to disclose average profits of three preceding years, the amount required to be spent for CSR; the amount actually spent; the areas or the heads under which it is spent; the shortfall or the excess if any; and the reason for shortfall if any. Though there is a provision stating that the deficit in the required amount to be spent can be carries forward as an addition to the next year's provision; the companies cannot carryover the surpluses to the next year as the amount specified is minimum and not the maximum.

Here is a table showing some randomly taken companies and their CSR spending in figures.

Table 1

Name of company	Avg profits of 3 preceeding years	Amt required to be spent as CSR	Amt actually spent	Shortfall amt	Excess amt
Nestle India ltd	141656 lakhs	2833 lakhs	2833 + 289 (P.Y.) lakhs	---	----
India Toners	21320 lakhs	426 lakhs	434.76 lakhs	--	8.76 lakhs
The Indian Hotels	616.04 lakhs	12,32 lakhs	12.32 lakhs	---	----
Infosys	14371 Crores	287.42 crores	289.44 crores	---	2.02 crores
Bata India	29189 lakhs	583.8 lakhs	600.2 lakhs	---	16.4 lakhs
Dabur India	1016.87 Crores	20.34 crores	20.38 crores	---	0.04 crores
Tata consultancy	18000 Crores	360 crores	294 crores	66 crores	-----

ITC ltd	13763.29 Crores	275.29 crores	275.96 crores	-----	0.67 crores
Hindustan lever	5100 crores	102 crores	92 crores	10 crores	----
Tech Mahindra	1544 crores	30.88 crores	53.21 crores	-----	22.33 crores

**Source:** Annual reports taken from company websites

Here we can see that though majority of the companies are following clause 135 of the companies act to spend a minimum amount on their CSR responsibilities, none of them is very forthcoming in increasing these activities. Rather than a joyfully taken responsibility it has become a forcefully accepted responsibility. Here is another table showing the various heads preferred by the industrial world in which they spend their profits so as to disperse their CSR. Education, health, environment, livelihood enhancement, community development and restoration of heritage sites and disaster reliefs are the major headings under which money is spent in the name of CSR. These areas are the ones suggested by the government and preferred by the industrial corporations.

The minimum expenditure of 2% of average profits of previous three exceeding years on community, society and environment though made mandatory it is not compulsory. However it is the first step taken by Indian Government to make the corporate world aware of their responsibilities. Is it enough though? Spending a part of profits on society does not absolve the corporate world of its responsibility. To earn this profit, the price the society pays has not been taken into consideration. Disturbance to Natural Ecosystem, Destruction of National Heritage Monuments, Depletion of Ozone Layer, Acid Rain and so on; are all results of massive industrialization and the resultant pollution throughout the world.

It becomes the responsibility of the corporate world to keep a record of the destruction of the society/ planet caused due to their activities and account for it in their annual books of accounts. "Tipple bottom line accounting, Environmental accounting, Social accounting, Corporate social responsibility accounting"; all these concepts lead to one crucial issue and that is the amount of destruction of the planet and the society at the hands of Industrialists and how to account for it. Some of the companies have taken some initiatives in this regard such as Energy conservation Waste minimization and recycling, Pollution prevention, Protection of the natural environment Control over water wastage, Tree plantation, Proper disposal of chemicals, Minimizing plastic usage etc.

However it is equally true that corporate world is taking advantage of this word CSR. By using it as a shield, window dressing is done and shown to the society as a fulfillment of their responsibility. In the meanwhile, poisoning of the planet continues by way of emission of variety of poisonous gases and volatile chemicals into the environment.

Bhopal incident is known to everyone. Construction industry is another example. The basic need of shelter has become a status symbol. In the name of improvement in quality of life, this industry is responsible for increasing number of crimes, damage to natural flora and fauna, greenhouse gas emissions, air, water and noise pollution and so on. A leading motor company like Volkswagen in the name of making environment friendly car creates an emission of NO<sub>2</sub> gas 40 times more than legal limit in its quest to become the world's leader in car making. Odd and even days followed in Delhi as a result of air and noise

pollution. Contrary to popular belief, most of the air pollution in Delhi is not due to vehicular traffic. Main contributors are road dust (50%) and industry (23%). vehicles account for only 7 %. (Chauhaan c.)

Yamuna River in Delhi is clean up to Wazirabad after which discharge of industrial waste makes it severely polluted. Lack of sufficient number of sewage treatment plants is leading this river to a slow death. Mineral foundation of Goa is a trust formed by Goan mining industry. This trust conducts a lot of CSR projects including education and health camps. Mining in Goa has always been considered as a boon for financial upliftment of the Goan economy. Goan flora and Fauna is severely damaged. The people are facing health problems. Is this anywhere shown in books of accounts of any mining company?

Agreed whatever is done by the industries for the community cannot be sidestepped. It is a known fact that a problem well understood is a problem half solved. Why this CSR? Because there are certain things happening which are undesirable and not in the favor of the society. CSR has become a means of improving brand image and to propagate their relationship to the customers? This background is being put forth as it is high time now to account the accountability.

What companies are doing is showing how much they are spending for the society after making profits. What they are not showing is how much they are costing to the society to earn those profits. Which company shows into its books of accounts the amount of water pollution caused due to release of hazardous chemicals into the river water? Or how much of poisonous gases is emitted in the air? Is there any control over it? If it exceeds these control limits what penalty is paid?

Social accounting, social audit, environmental accounting are still being laughed at. Because the industrial world is still not able to accept that these are very much important aspects of the annual statement and as an important stakeholder, the society is entitled to get an explanation on these aspects.

Most important is accounting mechanism. Nothing is taken seriously unless some value is fixed against it. Some award some penalty is a must. However, Emission of poisonous gases, disposal of untreated waste water, release of hazardous chemicals, destruction of flora and fauna, national heritage monuments; these are some aspects which are not considered in accounting. When we talk about CSR, should not these be included? Is the industrial world not accountable for destruction of people and planet, the other two most important but most forgotten aspects besides profits?

It is the duty of the companies to give a record of some major pollution causing activities. There is a need for some control mechanism to keep a check on these industries. Some methods like avoidance cost, replacement cost, damage cost, contingent valuation method, and some other methods are evolving. They do have their limitations but improvisations are possible.

## Conclusion

It should be made mandatory for the company to report on these costs and penalties into their books of accounts, at the same time they should be appropriately awarded for successful reduction of these costs. The structure of the financial statements will have to be redrafted so as to include these social and environmental aspects. Inclusion of the accounting aspect will make CSR more complete, more transparent and more informative. For the purpose, instead of showing only the amount spent for CSR in their profit and loss statement, the companies can show the amount spent by them in reducing the destruction of the planet and the society.

Last but not the least, Industries will have to broaden their horizons and establish a common dialogue with social and ecological professionals to form a common acceptable accounting framework to make the farce of CSR a genuinely accepted responsibility and opportunity.

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