

# Corporate Social Responsibility & Society Welfare

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**Abstract**—The success stories of modern business are visible to everyone, but the main concern is that, whether the business houses are fulfilling their social responsibilities. In order to avoid the wrongdoings in the organisations or by the organisations, in recent years much emphasis is given on Business ethics, corporate social responsibility & to execute these two functions, the corporate governance. Every organisation now-a-days has the well defined Code of Ethics, defining the role, function and boundaries within which each individual can perform within the organisation. Every organization has one function associated with their core business functions as Social Corporate Responsibilities which in its theoretical terms explain the role of these business houses in solving the issues & problems of society. Many companies are now a days are publishing their data related to social corporate responsibility which sometime may lead to increase in their goodwill among the customers as well as society. As per the data given by Reliance industries Limited, it is providing benefit to almost 150,000 individuals every month. Tata group of companies' have spent on an average of Rs. 1000 crores per annum. As per the data provided by futurescape on India's top companies for sustainability & CSR, the Tata Steel Ltd is at the first rank & GMR Infrastructure Ltd occupies the 100<sup>th</sup> rank. Comparatively many companies are now scaling up for their contribution towards Corporate Social Responsibilities in recent past but surprisingly it has also been found that most of the companies are not meeting the 2% norm for CSR spending. So this paper has made an attempt to understand the concept of Social corporate responsibility & how various organisations whether public or private are contributing towards the welfare of the society.

**Keywords:** Corporate Social Responsibility, Business Ethics, Business Sustainability

## 1. INTRODUCTION

Corporate social responsibility (CSR) refers to business activities that resulted in the welfare of the society. The CSR activities can include number of tactics ranging from parting away from the part of the profit of the organisation for charity, helping the poor's in uplifting their life style to implementing the environmental protective business measures.

In the recent past the concept of CSR has got an so much importance and many deliberations have been done to study & research the importance & contribution of business organisations towards the welfare of the society. It has now

got an unique importance from business & societal perspectives. Many matching and similar concepts such as corporate citizenship, business ethics, stakeholder management and sustainability, have emerged in place of the CSR. In other words these concepts are substituting the word CSR. The Indian economy is showing the good growth rate of the Business & now it has become the need of the hour to pay attention towards the social & environmental performance long with the financial performance. Thus the CSR concept says that an enterprise is accountable not only for their financial performance but for its all stakeholders including customers, employees, suppliers and society at large. CSR represents the constant commitment of the business organisations to behave in a fair and responsible way for the economic development of the country while improving the quality of life of the employees and their families in particular & local community & society at large.

Accordingly the Companies Act, 2013 and the CSR Rules (The Act) were formulated that came into effect from 1 April 2014. As per the Act, companies having a net worth of INR 500 crore (Cr.) or more, or a turnover of INR 1000 Cr. or more, or a net profit of INR 5 Cr. or more in a given financial year are required to spend 2 per cent of their profits on CSR programmes.

There are a few broad categories of social responsibility that many of today's businesses are practicing:

1. **Environmental efforts:** One prime focus of today's business is to protect & safeguard the environment while providing the best quality products & Services to the customers.
2. **Philanthropy:** Many business organisations are now moving towards philanthropic activities by making available the funds for the public at the time of exigencies & other similar times.
3. **Ethical labour practices:** Organisations can also play a vital role by treating every employee in a fair & ethical way especially in localities where we have diverse workforce.
4. **Volunteering:** Many organisations now volunteer themselves in providing the full support for the good

causes in the society. One of such example is one of the major FMCG player Dabur India has adopted five villages in Uttar Pradesh to make them open defecation free. The Head of Dabur India— Global Human Capital and CSR, Mr. Sudhakar said, “Our idea is to turn these villages into model villages and offer them a variety of services, from operating health posts to offer vocational training programmes to the youth in these villages”

Beside India & other developing nations, Chian has also released guidelines through Shanghai & Shenzhen Stock Exchanges to encourage the Corporate Social reporting.

If we look at the history of CSR in India, then we can see that India has a long history of paternalistic philanthropy. Evolution in India has a long tradition of paternalistic philanthropy. The process though acclaimed recently have got its existence since the ancient time. Philosophers like as Kautilya from India and pre-Christian era philosophers in the West promoted ethical principles while doing business. The idea of serving the poor and underprivileged was mentioned in various ancient literatures. Before the industrialization phase philanthropy, religion and charity were the key drivers of CSR. The industrial families of the 19<sup>th</sup> century were more inclined towards philanthropy, charity & other social considerations. And most of these donations (Money/non-money) were out of their personal savings & neither from the wealth of the shareholders nor profits of the company kept for CSR. They were focusing on development of temples, schools, hospitals, higher education institutions & other public utilities. In 1970s the concept of CVSR came in to existence in the formal way and companies shifted from philanthropy to more focussed contribution of some part of the profits of the company towards the societal development & concern for marginalised section of the society. In India, the business community has started realizing that Business can't succeed in isolation without the progress of the society towards the sustainable growth. CSR initiatives are much necessary in the country like India where there is a wide gap between the people with respect to income & standard of life (Bjpai-2001))

**There are basic Nine principles of National Voluntary Guidelines which are as:**

**Principle 1:** Businesses should conduct and govern themselves with ethics, transparency and accountability.

**Principle 2:** Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

**Principle 3:** Businesses should promote the wellbeing of all employees.

**Principle 4:** Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

**Principle 5:** Businesses should respect and promote human rights.

**Principle 6:** Business should respect, protect, and make efforts to restore the environment.

**Principle 7:** Whenever business get engaged in influencing public & regulatory policies, it should do that in responsible manner.

**Principle 8:** Businesses should support inclusive growth and equitable development.

**Principle 9:** Businesses should engage with and provide value to their customers and consumers in a responsible manner.

**Source:** Global CSR Summit 2013

## 2. OBJECTIVE OF THE STUDY

The Study has been carried out to meet the following objectives:

1. To understand the status of CSR in India.
2. To find the major areas where these corporations are using their funds under Corporate Social Responsibility.
3. To understand the way of implementing the CSR initiatives.

## 3. RESEARCH METHODOLOGY

The study is exploratory in nature and the data has been collected from various secondary sources such newspapers, magazines, CSR reports published by FICCI, KPMG & Global CSR Submit 2013. The data has been critically analysed to find the facts that whether the companies are performing well the function of Corporate Social Responsibility or not.

## 4. DATA ANALYSIS & INTERPRETATION:

### **Delivery Mechanism of Corporate Social Responsibility:**

The companies use several ways to manage their Corporate Social responsibility. Some companies go for strategic partnership with other companies to implement the CSR policies & initiatives, some join hands with some NGOs who are effectively engaged in serving the society & some companies establish non-profit entities within the organisations to take care of the CSR exclusively and some continue to manage CSR from within the organisation through the development of dedicated department for CSR or through some other Department. In a Survey conducted by the PHD Chamber on top 50 companies revealed that approximately 40% of the companies under study have established the not for-profit entities to manage and implement their CSR initiatives and rest 60% are managing their CSR initiatives from within their organisation. It has also been found that about 28% of the companies are having strategic partnerships with the other companies executing the CSR initiatives. These kinds of partner ships are very important for effective implementation of the CSR initiatives as these partnerships will not only make CSR more effective but will also help to sustain for longer period and measurable changes will be brought through these combined efforts. The research have also indicated that about 48% of the companies have

established their partnerships with the local or state government and are providing support to the govt. through improving infrastructure, supplying equipments, learning material and other supplies to the government programmes. About 70% of the companies have partnerships with NGOs for implementation of CSR initiatives.

**CSR policy:** The Act regulating the CSR mandates each & every company to formulate the policy for CSR and should make it available on the Company website. The programme schedule/policy of CSR should clearly mention the various projects that they are going to take in the CSR.

As per the data collected by

|   |  |                                 |
|---|--|---------------------------------|
| 1 | No. of Companies having information on website   | 03                              |
| 2 | No. of Companies failed to maintain the CSR information available in public domain for the second year               | 02                              |
| 3 | Spending in Health, Sanitation & Education Sector  | 63.74% of total spending on CSR |
| 4 | CSR Spent of Rural Development   | 8.84%                           |
| 5 | Spent on National Heritage, Support to War Veterans, PM Relief Fund, Sports, Technology Incubators, Slum Development | 3%                              |

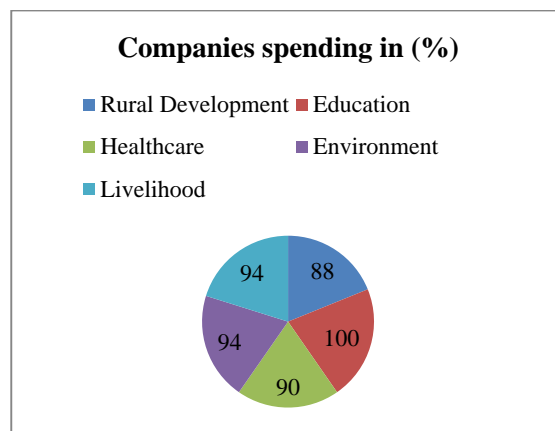
As per the data given in the table, no. of companies that made the CSR information available on their website is 97 (out of 100). That mean there were only 3 three companies that were not able to make it public. But anyhow it's a good sign that majority of the companies are now making these information available for the public. About 64% of the total CSR spending has been directed towards health & education & about 9% have been used in uplifting the phase of Rural areas. Just meagre amount of 3% of the total spending has been used for National Heritage, for supporting war Veterans, PM relief funds, Sports & Slum Development. During the year of 2016, slum development was at the bottom of the list. Out of the total companies about 90% of the companies allocated their CSR spending towards health & education, 59% companies spent on environment & 48% companies used their CSR funds up on rural development.

| CSR Spending      | Companies spending in (%) |
|-------------------|---------------------------|
| Rural Development | 88                        |
| Education         | 100                       |
| Healthcare        | 90                        |
| Environment       | 94                        |
| Livelihood        | 94                        |

Source: Global Summit CSR 2013 (Public Harmony Development Chamber)

The data presented in Global Submit CSR, (Public Harmony Development Chamber) reveals that out of total companies under survey about 88% of the companies have directed their CSR spent towards Rural Development, 100 % companies are using their some portion of CSR fund into Education Sector,

90% in Health care and 94% of companies in environment & livelihood. It clearly reveals that how much responsibilities these top companies are showing toward their social corporate responsibility objective. Education, Environment, Healthcare & environment are the main thrust areas for these corporations & these sectors are getting good chunk of funds for their up-gradation & advancement. The data has also been shown through pie-chart.



AS per data of FICCI the major beneficiaries are divided into the following manner.

| Beneficiaries | Percentage (%) |
|---------------|----------------|
| Children      | 31             |
| Women         | 22             |
| Environment   | 17             |
| Disabled      | 10             |
| Others        | 21             |

As per the data compiled for the top hundred companies' by KPMG, out of the public disclosures of these 100 companies' profits, they were required to spend Rs. 7233 cr. against which companies dedicated 7355 Cr which is highest by INR 122 Cr. It has also been observed that companies CSR spending has increased by 11% as compared to the previous year and an average spending per company has increased by 15%. Thus we can say that the companies are now becoming more familiar with the CSR initiatives & are adhering themselves towards the achievement of the CSR targets as laid down in the CSR guidelines.

**CSR Spent by Indian Companies (2015-16)**

| Company                       | Prescribed CSR | Actual CSR | Actual CSR in % |
|-------------------------------|----------------|------------|-----------------|
| Reliance Industries Ltd       | 557.78         | 651.57     | 117%            |
| NTPC Ltd                      | 349.65         | 491.80     | 141%            |
| Oil & Natural Gas Corp Ltd    | 593.70         | 421.00     | 71%             |
| Tata Consultancy Services Ltd | 360.00         | 294.00     | 82%             |
| ITC Ltd                       | 246.76         | 247.50     | 100%            |
| Tata Steel Ltd                | 150.00         | 213.24     | 142%            |

|  |        |        |      |
|--|--------|--------|------|
| National Mineral Development Corporation | 193.28 | 210.09 | 109% |
| Infosys Ltd                              | 256.01 | 202.30 | 79%  |
| Power Finance Corp Ltd                   | 145.09 | 196.20 | 135% |
| ICICI Bank Ltd                           | 212.00 | 172.00 | 81%  |
| Wipro Ltd                                | 156.00 | 159.80 | 102% |
| Indian Oil Corp Ltd                      | 141.50 | 156.68 | 111% |
| State Bank of India                      | 143.92 | 143.92 | 100% |
| Axis Bank Ltd                            | 163.03 | 137.41 | 84%  |
| Rural Electrification Corp Ltd           | 128.00 | 128.20 | 100% |
| HDFC Bank Ltd                            | 127.28 | 120.72 | 95%  |
| Larsen & Toubro Ltd                      | 101.46 | 119.90 | 118% |
| Hindustan Unilever Ltd                   | 91.94  | 92.12  | 100% |
| Bajaj Auto Ltd                           | 86.46  | 86.72  | 100% |
| Maruti Suzuki India Ltd                  | 65.40  | 78.46  | 120% |

Source: NGOBOX Report on CSR Spend (2015-16)

The data in the table shows that most of the companies under consideration are spending either equal to or more than what has been prescribed to them.

## 5. OBSTACLES IN IMPLEMENTING CSR PROJECTS

1. Less clarity about the regulation related to laws and tax.
2. The skilled manpower is not available that is willing to work at the gross root level.
3. Competent authority remains reluctant in giving the permission for implantation of such projects.
4. Good NGOs who are ready to work for the welfare of the society without any personal gain are difficult to find.
5. Professionals like Doctors for health projects & teachers for Education projects are difficult to find at remote areas.
6. Most of the time local community don't understands the importance of such projects and become reluctant to accept them or to provide any kind of assistance required by the implementing agencies.

## 6. CONCLUSION

India is considered to be the best destination for Business players as it is one of the developing nation with largest youth population in the world. The Indian economy is growing at the good pace & no. of national international firms are coming up with their business in the market. But at the same time India is

facing no. of challenges like poverty, illiteracy, unemployment, lack of health facilities, educational institutes at remote areas and many more. Therefore it is the high time now that all companies should focus on the their CSR function and they should be made aware about the importance of CSR in terms of its need and benefit to the society. Business houses needs to invest the required percentage of their profits as per rules and regulations in the projects related to corporate social responsibility so that a good relation & equitable partnership can be built between Business & society.

Study also indicated that most of the companies are using their profits for CSR but many organisations are there which failed to spent at least 2% of their Net Profit into CSR.

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