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   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

CORPORATE SOCIAL RESPONSIBILITY: REGULATION AND ITS SURVEILLANCE

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ABSTRACT

The Corporate Social Responsibility is the commitment of the companies for the equitable growth & sustainable development of the society. Under the new Companies Act, 2013, passed by Parliament in August 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities. In this context the present paper examines the corporate social responsibility spending of the Indian companies for the year 2012-13 along with the detail discussion on regulation regarding the compliance of corporate social responsibilities enacted with the clause 135, Companies Act, 2013. The paper also identify the CSR intervening activities that targets by the Indian companies. The study revealed that the corporate social responsibility spending is less than 2 % of profit after tax of the Indian companies and Education and health are the activities that mostly target by the Indian companies followed by enhancement, environment, skill development, women empowerment, disaster relief, sports and others. The findings can assist the policy makers to ensure that the Indian companies increased their Corporate Social Responsibility spending.

KEYWORDS
Corporate social responsibility, Regulation, Companies Act 2013.

INTRODUCTION

CORPORATE SOCIAL RESPONSIBILITY- AN OVERVIEW

Corporate Social Responsibility as an idea has roots at least six decades long but it has become more familiar to the public only a few years ago. Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. *Sustainability* refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders.

Corporate social responsibility (CSR) assumes the responsibility of the corporations towards the community and society. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities and all other stakeholders. Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy.

The World Business Council for Sustainable Development defines *Corporate Social Responsibility as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.* The CSR definition used by Business for Social Responsibility is *Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.* On the other hand, the European Commission hedges its bets with two definitions wrapped into one *concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment, a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*

All in all, the definitions of the CSR are focused on the Triple Bottom Line (TBL) approach. The TBL approach means expanding the traditional company reporting framework to take into account not just financial outcomes but also environmental and social performance starting from the base (bottom) and following three objectives (triple-line) that are:

- Social justice.
- Environmental quality.
- Economic prosperity.

The definition of CSR varies from company to company and many use other terms such as sustainable growth, corporate responsibility, social responsibility or corporate citizenship. No matter how it is described, CSR considers the human being as the centre of the economic system. The universal values of the individuals and their needs are seen as fundamental and unrepeatable resources. Hence, CSR is the business contribution to sustainable development, meaning the way a company balances its economic, environmental and social objectives while addressing stakeholder expectations and enhancing shareholder value.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. Companies' obligations have gradually shifted from narrow shareholder vision, to cover more vast groups of stakeholders. Due to the high-speed information of social media, the asymmetry of knowledge has grown so little that it is impossible or impractical to hide doubtful actions. This means that ethical operations are seen more and more as a norm for viable business. Companies' obligations have gradually shifted from narrow shareholder vision, to cover more vast groups of stakeholders. Due to the high-speed information of social media, the asymmetry of knowledge has grown so little that it is impossible or impractical to hide doubtful actions. This means that ethical operations are seen more and more as a norm for viable business.

In addition, a stark and complex shift has occurred in how organizations must understand themselves in relation to a wide variety of both local and global stakeholders. The quality of relationships that a company has with its employees and other key stakeholders—such as customers, investors, suppliers, public and governmental officials, activists, and communities—is crucial to its success, as is its ability to respond to competitive conditions and corporate social responsibility (CSR). These major transformations require national and global companies to approach their business in terms of sustainable development, and both individual and organizational leadership plays a major role in this change.

So, a firm must now focus its attention on both increasing its bottom line and being a good corporate citizen. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organizations to reshape their frameworks, rules, and business models. To understand and enhance current efforts, the most socially responsible organizations continue to revise their short- and long-term agendas, to stay ahead of rapidly changing challenges.

CORPORATE SOCIAL RESPONSIBILITY IN GLOBAL CONTEXT

Globally, corporate social responsibilities are gaining much attention from researcher, practitioner, Academician etc. Most multinational corporations (MNCs) identify corporate social responsibility (CSR) as a business tool to promote a positive image to business stakeholders and as a way to improve the quality of life among citizens of the host countries Multinational companies (M. N. C.) are those when that company manages its operation or production or service delivery from more than a single country. It also known as International corporation.. Many multinational corporations operate in countries characterized by extreme poverty and inequality, inadequate or dysfunctional institutions, and undemocratic political systems. At the same time, multinational corporations are in a powerful position to promote change in developing countries, individually and/or collectively.

Apart from playing an important role in globalization and international relations, these multinational companies even have notable influence in a country's economy as well as the world economy. Presently, there are 21 multinational companies whose headquarter present in India. These are India's Global Powerhouses, Asian Paints, Bharat Forge, Bharti Airtel, Cyient, Dishman Pharmaceutical and Chemicals, Dr. Reddy's Laboratories, Essel Propack, Hindalco Industries, Infosys, KPIT Technologies, Larsen & Toubro Infech, Mahindra Group,Micromax Mobile,Oil and Natural Gas Corporation, Profoundis ,Ranbaxy Laboratories ,State Bank of India ,Suzlon Energy ,Tata Group and Thermax.

CORPORATE SOCIAL RESPONSIBILITY IN INDIAN CONTEXT

India has been quite sensible in taking up CSR initiatives and integrating them in their business processes. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large. Companies now have specific departments and teams that develop specific policies, strategies and goals for their CSR programs and set separate budgets to support them. Most of the time, these programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain. CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business: Customers, Suppliers, Environment, Communities and Employees. Triumphant CSR plans take organizations ahead of compliance with legislation and lead them to respect moral values and respect people, communities and the natural environment. Corporate social responsibility is sustainable – involving activities that an organization can uphold without negatively affecting the business goals. CSR is not only about ecological accountability or having a recycling policy. It is about considering the whole representation of the company, from internal processes to your clients, taking in every step that a business takes during day-to-day operations. Rising economies such as India have also observed a number of companies enthusiastically engaged in CSR activities. Corporate social responsibility consists with mainly following major's responsibilities:

1. RESPONSIBILITY TOWARDS ITSELF- It is the responsibility of each corporate entity run business and to work towards growth, expansion and stability and thus earn profits. If the corporation is to achieve social and economic ends, organizational efficiency should be boosted up.

2. RESPONSIBILITY TOWARDS EMPLOYEES- Employees is the most important part of an organization. Following are some of the responsibilities which a business entity has towards its employees-

- Timely payment
- Hygienic environment
- Good and impartial behavior
- Health care through yoga
- Recreational activities
- Encouraging them to take part in managerial decisions

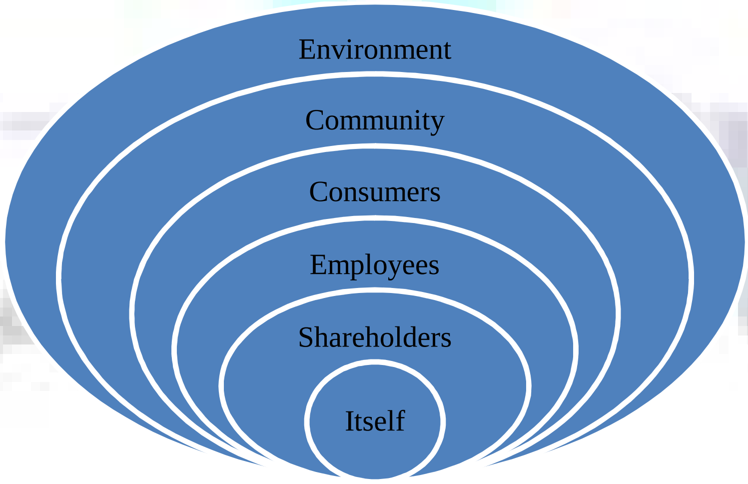
3. RESPONSIBILITY TOWARDS SHAREHOLDERS- It is the responsibility of corporate entity to safeguard the shareholders investment and make efforts to provide a reasonable return on their investment.

4. RESPONSIBILITY TOWARDS COMMUNITY- This can include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc. Out of the profit available, the state is entitled to a certain share as per the income tax laws. Utmost transparency has to be exerted regarding the profit &loss account and the balance sheet.

5. RESPONSIBILITY TOWARDS CONSUMERS- The Company should maintain high quality standards at reasonable prices. It should not resort to malpractices such as hoarding and black marketing. Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical.

6. RESPONSIBILITY TOWARDS ENVIRONMENT- It is the responsibility of the organization to contribute to the protection of environment. It should produce eco - friendly products. Moreover, industrial waste management must be taken care of. It also includes recycling, water management, renewable energy, reusable materials, 'greener' supply chains, reducing paper use etc.

FIGURE 1: DIAGRAMMATIC PRESENTATION OF RESPONSIBILITIES TOWARDS VARIOUS STAKEHOLDER, ENVIRONMENT AND SOCIETY



OBJECTIVES OF THE STUDY

The various objective of the study are:

- To throw some light on the rule and regulation regarding the compliance of corporate social responsibilities.
- To examines the corporate social responsibility spending of the Indian companies for the year 2012-13
- To identify the CSR intervening activities that targets by the Indian companies.

REGULATION AND GOVERNANCE OF CORPORATE SOCIAL RESPONSIBILITIES IN INDIA

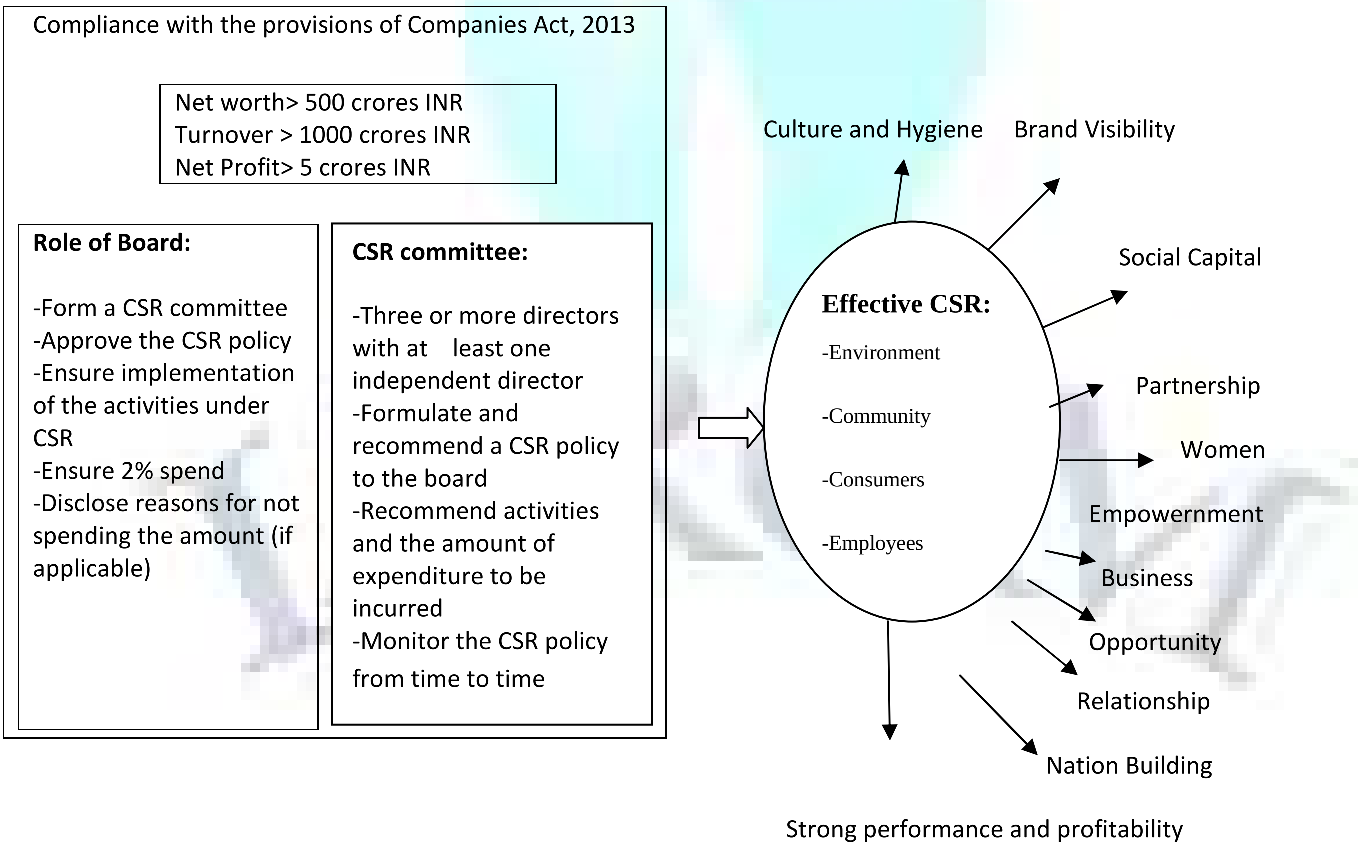
The concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their three or more board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities.

The ministry's draft rules, that have been put up for public comment, define net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India. The Board's report under sub-section (*3*) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.The Corporate Social Responsibility Committee shall, — (*a*) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; (*b*) Recommend the amount of expenditure to be incurred on the activities referred to in clause (*a*); and (*c*) Monitor the Corporate Social Responsibility Policy of the company from time to time. The Board of every company also referred to in sub-section (*1*) shall,— (*a*) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and (*b*) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company. The Board of every company referred to in sub-section (*1*), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy: Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities: Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (*o*) of sub-section (*3*) of section 134, specify the reasons for not spending the amount. Besides this, companies also do other reporting requirement mandated by the government of India, including CSR is by the SEBI which issued a circular on 13 August 2012 mandating the top 100 listed companies to report their ESG initiatives. These are to be reported in the form of a BRR as a part of the annual report. SEBI has provided a template for filing the BRR. Business responsibility reporting is in line with the NVG published by the Ministry of Corporate Affairs in July 2011.

The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act. Among the eligible activities included in the act are:

- Eradicating extreme hunger and poverty;
- Promotion of education;
- Promoting gender equality and empowering women;
- Reducing child mortality and improving maternal health;
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability;
- Employment enhancing vocational skills;
- Social business projects;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- Such other matters as may be prescribed

FIGURE 2 : FRAMEWORK OF EFFECTIVE CORPORATE SOCIAL RESPONSIBILITY



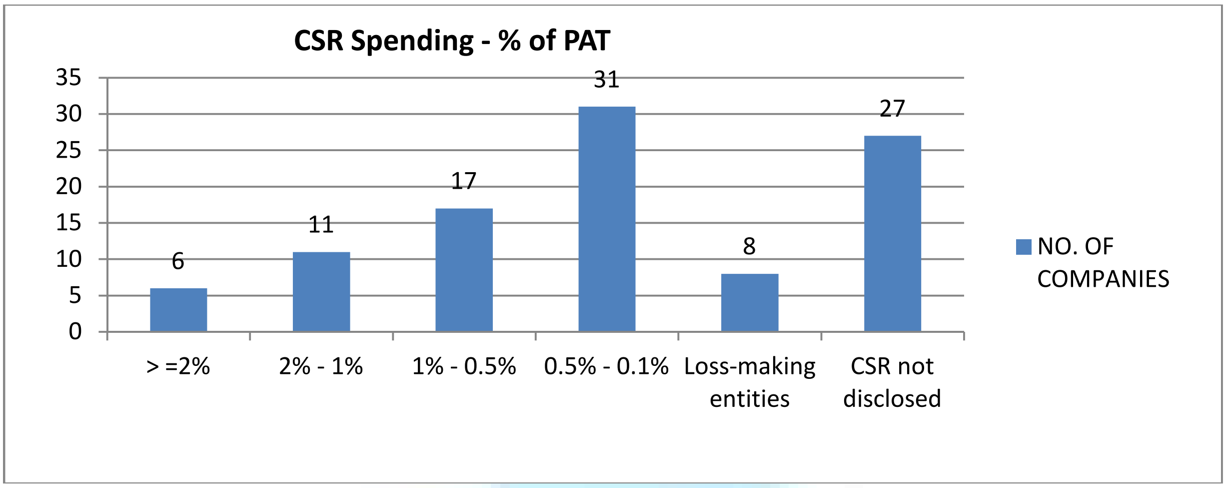
RESEARCH METHODOLOGY

In this study, Top 100 companies during the year 2012-13 have been selected for the showing the spending scenario of Indian companies towards CSR activities. While doing this study, one of the immediate problems faced for undertaking such a study was that very little data is available on CSR and a major factor faced while analyzing the CSR spending has been lack of information on actual spending by the corporate. Thus, for serving the purpose of paper, secondary data were used which are taken from an India CSR Report of India which is published by Socio Research & Reform Foundation (NGO) for the year 2012-13.

AN ANALYTICAL REVIEW OF 'CSR' SPENDING IN INDIA

As per Indian companies act 2013, every corporation of India must to pay at least 2% of their average profit in the previous three years on CSR activities which is having an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more and net profit defined as the profit before tax as per the books of accounts, excluding profits arising from branches outside India. For the purpose of this section "average net profit" shall be calculated in accordance with the provisions of section 198. From the data which are shown in the report, we can interpret that ranging from Rs 27000 crores to Rs 15000 crores, have been made about CSR spending. For CSR to have any meaningful impact, it is important that spending on CSR related activities is quantified and hence its usefulness can be evaluated. Following are the figures that show the percent of profit after tax spending by the companies.

FIGURE 3: CSR SPENDING CATEGORIES AS PER PERCENTAGE OF PROFIT AFTER TAX



Source: Socio Research & Reform Foundation (2013)

The above chart is clearly showing that out of 100 companies, 27 companies are not disclosing any information about the amount spend on the CSR activities and 8 companies are loss making entities which do not require to spend on CSR activities. Most of the Companies have spent below 1 percent of their profit on CSR activities. Only 17 companies have spent on CSR activities more than 1% of their Profit during the year 2012-13, out of which only 6 companies are spending more than 2 % of their profit. Individually, Reliance Industries has the largest spending on CSR activities which counts over Rs 357 crores during FY 2012-13. Top five CSR investors are:

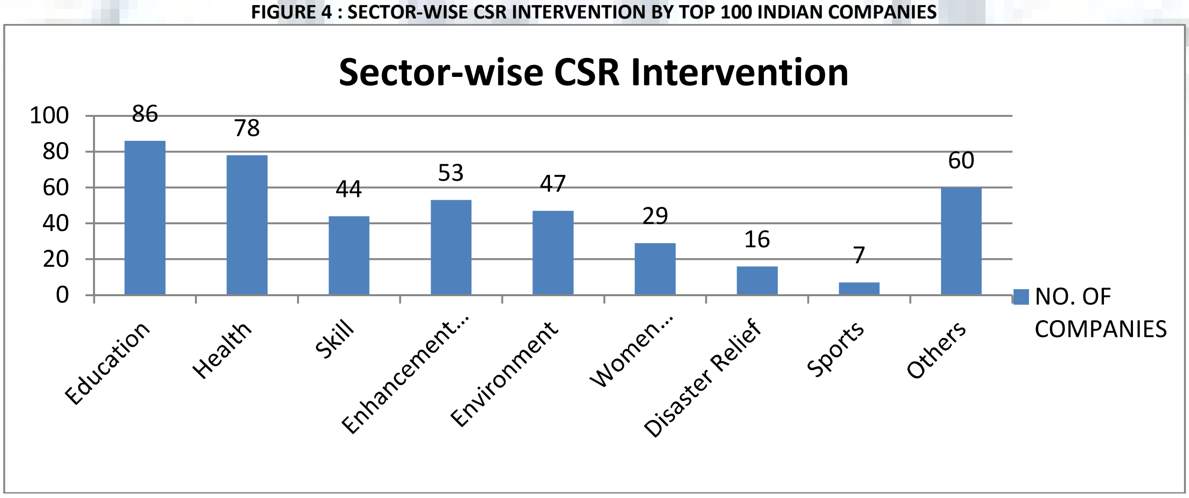
1. Reliance Industries Rs 357 crores
2. Coal India Rs 151 crores
3. Tata Steel Rs 146 crores
4. State Bank of India Rs 123 crores
5. ONGC Rs 121 crores

The Major Findings are as follow:

- Currently, CSR spending of top 100 companies can be estimated as approximately Rs 2650 crores.
- Since there are 27 companies which have not disclosed their CSR amount, hence their CSR contribution has been estimated in proportion to the companies who have disclosed their CSR contribution.
- Total CSR Spending as disclosed by 73 out of 100 companies in a financial year (based on latest financial year data available) is around Rs 2380 crores.
- If the CSR amount is estimated for the remaining 27 corporates who have not disclosed their CSR spending (although published financial statements or other information available indicates that they are undertaking CSR), it comes to an additional amount of Rs 270 crores.
- Presently most companies are not meeting with the proposed 2% CSR norms under the new Companies Bill for the private sector and with the Govt. guidelines in case of public sector organizations. Out of 100 companies only 6 corporate are complying with these norms. Further 11 companies are spending between more than 1% and less than 2%. For more understandings a complete picture is given in the adjacent chart.

Thus, we can say that only 6 companies are complying with the rules and regulation of Companies act, 2013. In fact presently companies selected in this sample are spending only around 35% of the amount that the Government is proposing. If the companies start following the norms, CSR amount required by top 100 companies would be Rs 6280 crores and an increment of around 2.5 times of the present contribution.

FIGURE 4 : SECTOR-WISE CSR INTERVENTION BY TOP 100 INDIAN COMPANIES



Source: Socio Research & Reform Foundation (2013)

From the charts, It can be concluded that Most CSR programme interventions span several sectors such as Health, skill development, Environment, women empowerment, sports, etc in which most popular being Education and Health on which 86 and 78 companies respectively have spent their money. Out of 100 companies examined, as many as 86 CSR programmes have made interventions in Education and 78 programmes are intervening in Health issues. Traditionally several CSR programmes directly support school and college related activities, though now the trend is changing and interventions are being made to associate with the Government to enhance education in the rural areas at a much broader level. Other popular interventions are Livelihood and Financial Inclusion (53) and Environment (47). For example most banks under the Government financial inclusion programmes are intervening in this sector. Another popular programme is relating to Skill enhancement, where almost 44 out of 100 CSR programmes are intervening. Surprisingly, only around 29 CSR programmes are formally undertaking the projects which are related to women empowerment and only in 16 cases, interventions have been made in Disaster Relief and it can be also seen that only 7 companies have supported the programmes related to Sports. One reason for this could be that sport is more and more being perceived as a commercial activity, rather than a social activity.

CONCLUSION

Through this study the attempt is made to throw some light on the contribution of Indian companies towards the corporate social responsibility (CSR) along with compliance of regulation of CSR by clause 135, Companies Act, 2013.With the enactment of this law, many companies have give more attention towards CSR activities. According to Indian Institute of Corporate Affairs, a minimum of 6,000 Indian companies will be required to undertake CSR projects in order to comply with the provisions of the Companies Act, 2013 in which many companies are undertaking these initiatives for the first time. Further, some estimates indicate that CSR commitments from companies can amount to as much as 20,000 crore INR. From the above, we can be concluded that only 6 companies are complying with the rules and regulation of Companies act, 2013. In fact presently companies selected in this sample are spending only around 35% of the amount that the Government is proposing. If the companies start following the norms, CSR amount required by top 100 companies would be Rs 6280 crores and an increment of around 2.5 times of the present contribution. Moreover, CSR intervention of companies are covering the three bottom line- social, economic and environment following the Global Reporting Initiative (GRI) G3.1 guidelines along with National Voluntary guidelines issued by Ministry of corporate affairs that consists with Culture and Hygiene, Brand Visibility, Social Capital, Partnership, Women Empowerment, Business Opportunity, Relationship, Strong performance and profitability and thereby overall nation building take place. Most CSR programme interventions span several sectors such as Health, skill development, Environment, women empowerment, sports, etc in which most popular being Education and Health on which 86 and 78 companies respectively have spent their money followed by enhancement, environment, skill development, women empowerment, disaster relief, sports and others.

But still there are ambiguities regarding the CSR regulation. Rules have not clearly discribed about the foreign companies and branches of Indian companies outside India. Multinational corporations operating in India have sought clarity on the corporate social responsibility norms. The Act says that its provisions will apply to "companies incorporated under this Act or under any previous company law". And as per the law, foreign companies are not bound to follow CSR norms. As a part of our global practice, do CSR in locations MNCs operate in but are they bound to do it as per the law is yet to be clarified. The government needs to amend the law to get foreign firms in ambit of CSR norms. Moreover, MNC businesses in India were under pressure to prove that their rural strategies weren't just about doing well from a CSR perspective. They also needed to show head office that these strategies were doing well from a business perspective.

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