

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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**NEED/IMPORTANCE OF THE STUDY**

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**OBJECTIVES**

**HYPOTHESES**

**RESEARCH METHODOLOGY**

**RESULTS & DISCUSSION**

**FINDINGS**

**RECOMMENDATIONS/SUGGESTIONS**

**CONCLUSIONS**

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## RECENT INITIATIVES TOWARDS CSR IN INDIA

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## ABSTRACT

*The Importance Of business in the society is well recognized and understood by the whole world. People are getting aware of the fact that business can play a significant role in betterment of the quality of life and in today's complex environment. It can lead to spread the long -lasting impacts on people, our planet and also able to help in aspire the sustainable development. But all these can be achieved only when the business functions with fairness, responsible and ethical manner. So the concern for the fair, transparent and ethical behavior adopted by the business has also increasing among the stakeholders. So to help the business houses and to motivate them to engage in socially responsible business the Indian Government also took an effective step by launching the voluntary guidelines on CSR in 2009. It was the first step towards the concept of Business Responsibility (BR). But after getting the useful feed backs from many diverse stakeholders, Ministry of corporate affairs launched the refined and improved Guidelines over the earlier CSR Voluntary guidelines 2009 named as National voluntary guidelines on Social, Environment and Economic Responsibilities of business. Even though Stakeholder consultation was claimed, a number of stakeholders includes representation of consumer were never consulted during this process.*

## KEYWORDS

Corporate social responsibility, Business Responsibility Reporting, National Voluntary Guidelines, SEBI's Circular on BRR.

## INTRODUCTION

Currently business enterprises are progressively more seen as significant components of social system and they are considered responsible not only to their shareholders from a revenue and profitability viewpoint but also to the larger society which is also its stakeholder. Hence, adoption of responsible business practices in the interest of the social system and the environment are as essential as their financial and operational performance. This is all the more relevant for listed entities which, taking into account the fact that they having accessed funds from the public, have an element of public interest involved, and are compelled to make in-depth continuous disclosures on a regular basis. So to help the business houses and to motivate them to engage in socially responsible business the Indian Government also took an effective step by launching the National Voluntary Guidelines on CSR in 2009. This consists of nine key principles for business practices — conduct with ethics; transparency and accountability; provision of goods and services that are safe and contribute to sustainability; employees' wellbeing; responsiveness to stakeholders, especially disadvantaged, vulnerable or marginalized; protection of human rights and the environment; and so on. The NVG framework talks about sustainability and fair and factual representation of company's activities.

India Government through the National Voluntary Guidelines would like companies to:

- Give back something to the society
- Make companies accountable
- Be liable for its actions and
- Be sustainable in itself and in the environment it operates in.
- Be responsible for betterment of community

NVGs are applicable to all businesses operating in India and Indian MNCs operating to another place irrespective of sector, size, orientation or ownership. Organizations have a tendency to underestimate their influence on different aspects. Organizations not only influenced their relevant stakeholder such as Customers, Employees, Shareholders, etc. But apart from these any organization put forth influence on other larger aspects such as Economy, Policy, Community Relations, Environment and the like. So, we need organizations which look beyond their primary influence and target broader Sustainability goals. This would also provide advantages to the organization such as:

- Develop ability to enhance competitive skills
- Enhance company's growth and brand reputation.
- Increase ability to attract and retain good knowledge pool.
- Improve relationship with investor and society in a better way.

So for each of these nine principles, companies need to provide their declaration report named as Business Responsibility Report on their compliance by providing numbers, data and any specific cases relevant to each of the principles. In August 2012, the Securities and Exchange Board of India made Business Responsibility Reporting mandatory for the top 100 entities by market capitalization on the Bombay Stock Exchange and National Stock Exchange by stating that non-financial reports should include environmental, social and governance initiatives, outlined as per National Voluntary Guidelines (NVG). SEBI envisions this proactive step would increase the transparency in business operations, thereby enabling stakeholders to measure companies on their 'actual performance.' The BRRs should be included in the annual report filings for the financial years ending on or after December 31, 2012.

## OBJECTIVES OF THE STUDY

- To know the recent Indian initiatives in the area of CSR.
- To analyze the various underlying characteristics of these measures.
- To examine the adaptability of these measures.

## RESEARCH METHODOLOGY

To have insight of the Indian initiative towards CSR, secondary sources have been adopted for study. Various guidelines, Journals, Articles, websites and circulars have been accessed to collect the information for study.

## MAJOR FINDINGS

The Corporate Social Responsibility has become the need of today's world, and companies are also depicts interest towards it. In India many big and reputed companies are doing their bit to help the society at large, but still the number of concerned ones is less. The Indian government is trying to implement CSR in Indian companies to help the society and all stakeholders by taking important steps such as launch of NVG's in 2011, insertion of schedule VII in new company bill, and SEBI's circular on Business Responsibility Reporting. These initial steps will help and support Indian organization in planning and implementation of CSR programmes in their organization. India has emerged with ray of hope in this field, but still the destination is very far. But moreover India is a developing nation and these steps are good move in order to enjoy immense scope of growth through CSR.

**INDIAN INITIATIVE TOWARDS CSR****1.1 NATIONAL VOLUNTARY GUIDELINES**

The Importance Of business in the society is well recognized and understood by the whole world. People are getting aware of the fact that business can play a significant role in betterment of the quality of life and in today's complex environment. It can lead to spread the long –lasting impacts on people, our planet and also able to help in aspire the sustainable development. But all these can be achieved only when the business functions with fairness, responsible and ethical manner. So the concern for the fair, transparent and ethical behavior adopted by the business has also increasing among the stakeholders. So to help the business houses and to motivate them to engage in socially responsible business the Indian Government also took an effective step by launching the voluntary guidelines on CSR in 2009. It was the first step towards the concept of Business Responsibility (BR). But after getting the useful feed backs from many diverse stakeholders, Ministry of corporate affairs launched the refined and improved Guidelines over the earlier CSR Voluntary guidelines 2009 named as National voluntary guidelines on Social, Environment and Economic Responsibilities of business. Even though Stakeholder consultation was claimed, a number of stakeholders includes representation of consumer were never consulted during this process. This guideline is based on the perspective of only some stakeholders. It presents the basic requirements for business to function in a responsible manner in order to achieve the wholesome and inclusive economic growth. The guidelines are not prescriptive it is based upon the practices and earlier available evidence and its real life cases of Indian business houses. Its main idea is to motivate the business to use triple bottom line approach of SR so the business financial condition can be harmonized with the society, environment and stakeholder's benefits. Its core idea is to enhance the socially responsibility (SR) practices in India. Adoption of these guidelines into practice will help the business to enhance the competitiveness, profit and better human resource management.

**Principle 1. "Businesses should conduct and govern themselves with Ethics, Transparency and Accountability"**- This principle states that the ethical conduct in all activities and functions should be the fundamental idea of the responsible business it explain, that there is a clarity and fairness in all the activities of the business and they should report or disclose the all actions so that the stakeholders can be aware and results are visible to them. It also recognize that there is an act distribution of responsibility and power so the accountability of each person should be clear and noticeable.

**Principle 2. "Business should provide goods and services that are safe and contribute to sustain ability throughout their life cycle"**- This principle explains that the business should work to improve the quality of life of and it should design its activities and functions which enhance the profitability to the business but also contribute to the realm of SR concern. The all stages of product life cycle has some direct or indirect impact on the society so at the time of making decision form procuring raw material to disposal of goods/waste the stake of society should be kept in mind. The business should not only take care about their internal activities but try to go beyond and also keep eye on the external activities to ensure the betterment of the society as a whole.

**Principle 3. "Business should promote the well being of all employee"**- It states that business should take the well being of all the employees connected with it value chain at the time of making and implementing the policies and practices. And this could be applicable for all types of employees whether they are in or outside of the business or they are subcontracted workers. Its core elements suggest that business should provide and respect the freedom & rights of employees for example freedom of association, participation, addressable mechanisms. It's should mountain the equal opportunities environment for all employees.

**Principle 4. "Business should respect the interest of and be responsible towards all stakeholders, especially those who are disadvantage vulnerable and marginalized"**- This principle states that business should go beyond the boundaries means It should not take care about the interest of its shareholders but also consider the stakeholder, especially those who are less aware, under privileged and in a marginal or in vulnerable positions in the society

**Principle 5. "Business should respect and promote human rights"**- This principle recognizes that business should protect, promote and respect the human rights because these rights are the fundamental need of the human and these are evolved under the heading of civil, political, cultural and social rights. That business's who respect and promote these, they are able to gain profit, opportunity and widens acceptance from the society.

**Principle 6. "Business do should respect, protect and makes efforts to restore the environment"**- This principle states that business should take care about the environment and its various dimensions because it is the first important responsibility of business to take care. This principle explains that environmental sustainability is the top responsibility because it is important for, economic growth and society's benefit as well. It also explains that environmental issues are very important part of the environment it also encourage business to understand and be accountable for those activities directly or indirectly affect the environment.

**Principle 7. "Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner"**- This principle states that the business should follow all the laws and rule of regulation because these are made by and for the various stakeholder so at the time of making policies and conducting various activities the concern for all the rules and policies should be there. The core element attached with suggest that a business should recommend those policies which are according to the given principle and guidelines and for this the business should take help from the various trade and industry chambers and association.

**Principle 8. "Business should try to participate in the inclusive growth motive"**- In India the disparity in growth level in various sections is very drastic so to overcome this problem every business should take care to help and make strong the various underdeveloped and marginalized sections and for this they can join hand with various government or non government agencies. Equitable and inclusive growth definitely helps the business to grow.

**Principle 9. "Businesses should engage with and provide value to their customers and consumers in a responsible manner"**- The principle states that basic aim of a business entity is to provide goods and services to its customers in a manner that creates value for both. Consumers are one of important stakeholder of the business and no business can survive without making the satisfied. In today's era customer is consider as the king of the market. The principle recognize that no business firm even can exist or survive in the absence of its customers. The principle state that customers enjoy the freedom of choice in the selection and usage of goods and services so it is the duty of the enterprise to produce and provide desired product and services to the consumer and that should safe, at competitive priced, easy to use and safe to dispose off, for the benefit of their customers. The main objective of the principle is to protect the interests of the consumer. The customer delight is the new approach now days which means provides the extra value which actual expecting by the customer.

The principle nine also explains that businesses have a responsibility to cultivate the long term adverse impacts that excessive consumption may have on the overall well-being of individuals, society and our planet. They promote sustainable consumption. The core elements attached with this principle states that Businesses, should take into account the overall well-being of the customers and that of society at the time of fulfilling the need of the customer and it should try to make it sure at the time of designing, promoting and selling their products, the rights of the freedom of choice and free competition in any manner should not restricted by their activities. This principle also suggests business to disclose all information truthfully reliably, transparently and factually, through labeling and other means. All the information should be clearly mentioned on the labels which includes the risks to the individual, to society and to the planet from the use of the products, so by which the customers can do exercises their freedom to consume in a responsible manner.

Business should carry the awareness program when the need is required likewise in India people are less aware about their rights so it is the duty of the responsible business to make their customer aware so they can enjoy their full rights and also take care about making choices of product. 4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in this Guideline. It should take care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption. For example products are made by those natural resources which are non-renewable by the nature or product the which can harm the safety and security like destructive weapons, and there should be good grievance handling mechanism which can handle the grievances of customer on timely and adequately basis and also provide necessary information to the customer which are important for them and a good two communication channel also set up the business which provide information along with important feedback from the customer.

**1.2 NEW COMPANY BILL**

There are total 29 Chapters, 470 clauses with 7 schedules in new company bill 2011 but for purpose of this paper only considering the clause 135 with schedule VII. In new companies' bill 2011 clause 135 dealing with "Corporate Social Responsibility" is in focus. Under this clause new mandatory provisions are given in order to support the CSR in Indian companies,



According to the clause 135(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent director.

Clause 135(2) states that The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

Clause 135(3) state that "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.

Clause 135(4) state that The Board of every company 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 Policies of the company are undertaken by the company.

Clause 135 (5) state that The Board of every company referred to in sub-section (1), shall make every endeavor to 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 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. To support clause 135 on corporate social responsibility the schedule VII is given in The New Companies' Bill. In the schedule those activities are given may include by companies in their CSR policies. The Schedule VII is meant to help in implementation of above said provisions.

#### **SCHEDULE VII**

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

- (i) Eradicating extreme hunger and poverty;
- (ii) Promotion of education;
- (iii) Promoting gender equality and empowering women;
- (iv) Reducing child mortality and improving maternal health;
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) Ensuring environmental sustainability;
- (vii) Employment enhancing vocational skills;
- (viii) Social business projects;
- (ix) 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
- (x) Such other matters as may be prescribed.

#### **1.3 SEBI CIRCULAR ON BUSINESS RESPONSIBILITY REPORT**

The security exchange board of India issued the circular named as Business Responsibility Reports for all the stock exchanges on 13 Aug, 2012. It is given in the SEBI circular that In today's world now enterprises are playing important role in the society, they affects society by their activities and practices and also get affected by the society, so they are not only liable to fulfill the obligation regarding shareholder as per revenue and profitability point of view besides this they are also accountable for the all stakeholders and society because it is also one of the main stakeholder. So it's become compulsory requirement of today that business should opt responsible behavior in order to satisfied the need of overall society and the stakeholders, the concern for the environment should be there in the business, as it is the primary important aspect for the business, so as it considers financial and operational performance very important so this should also consider as the one of vital and must important objective of the business. SEBI consider the NVG and importance of larger interest of public disclosure regarding steps taken by listed entities from an Environmental, Social and Governance ("ESG") perspective, the inclusion of business responsibility reports in annual reports made mandatory for the listened firms who are listed in the various stock exchanges.

SEBI has inserted a condition, in Clause 55 which is given in annexure-1, in equity listing agreement. The basic purpose is to insert this clause into the equity listing agreement is to make the good quality and reliability of disclosure by the listed firms and the suggested framework of Business Responsibility Report. Section A in listing agreement ask for the general Information about the Company like name, working location etc, Section B ask for Financial Details of the Company total capital, paid up capital etc. Section C ask for Other Detail like subsidiary company of the existing company, is this company is subsidiary of the other company etc, Section D ask for business responsibility report Information like details of directors who are responsible for BR and governance detail of the firm etc. and last Section E ask about all 9 Principle-wise performance of listing entities.

The social responsibility behaviors become the need of the today and Business Responsibility report also become important for each stakeholder so SEBI took an initiative by this way. There is certain important principle to help the fulfillment of listed firms and there explanations are also given in full detail in annexure-2. And it is given in the circular that the requirement to include BR Reports as part of the Annual Reports shall be mandatory for top 100 listed entities based on market capitalization at BSE and NSE as on March 31, 2012. And BSE and NSE shall independently prepare a list of listed entities to which the circular likely be applicable based on the above said criteria and publicize the same in their websites. And the clear information is also given those listed entities which already have been submitting sustainability reports to in a foreign regulatory, and agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only provide the same to their stakeholders along with the details of the framework under which their BR Report erstwhile prepared and a drawing of the principles enclosed in these guidelines to the exposé made in their sustainability reports. And this circular is shall be applicable is with effect from financial year ending on or after December 31, 2012. Though, listed entities that are so far to submit their Annual Reports for financial year ended on March 31, 2012 may also include BR Reports as part of their Annual Reports on a voluntary basis. It is clearly mentioned in the circular that condition which are mentioned in the circular are specified in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992. And these listing conditions should form a part of the existing Listing Agreement of the stock exchange. Circular also advised the all stock exchanges to ensure compliance with this circular and carry out the amendments in their Listing Agreement as per the Annexure to this circular. In the circular the exact web address is also given from where we can find this and that is SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal Framework" and "Issues and Listing".

The BSE has accordingly identified 100 top companies for the SEBI Guidelines; these companies are listed in the table below. Out of 100 companies I have arranged those which deal in consumer product/service..

#### **TOP COMPANIES 100 IDENTIFIED BY BSE AS PER SEBI CIRCULAR WHICH ARE DEALING WITH CONSUMER (BUSINESS TO CONSUMER)\***

RELIANCE INDUSTRIES LTD.\*  
OIL AND NATURAL GAS CORPORATION LTD.\*  
TATA CONSULTANCY SERVICES LTD.  
COAL INDIA LIMITED.  
ITC LTD.\*  
INFOSYS LTD.  
NTPC LIMITED.\*

STATE BANK OF INDIA.\*  
 BHARTI AIRTEL LTD.\*  
 HDFC BANK LTD.\*  
 WIPRO LTD.\*  
 ICICI BANK LTD.\*  
 HOUSING DEVELOPMENT FINANCE CORP LT.\*  
 HINDUSTAN UNILEVER LTD.\*  
 LARSEN & TOUBROLIMITED.  
 MMTCL LTD.  
 TATA MOTORS LTD.\*  
 NMDC LTD.  
 INDIAN OIL  
 CORPORATION LTD.\*  
 CAIRN INDIA LIMITED.  
 BHARAT HEAVY ELECTRICALS LTD.  
 SUN PHARMACEUTICAL INDUSTRIES LTD.  
 HINDUSTAN ZINC LTD.  
 JINDAL STEEL & POWER LTD.  
 POWER GRID CORPORATION OF INDIA LIMITED.\*  
 BAJAJ AUTO LIMITED.\*  
 GAIL (INDIA) LTD.\*  
 AXIS BANK LTD.\*  
 TATA STEEL LIMITED.  
 NESTLE INDIA LTD.\*  
 MAHINDRA & MAHINDRA LTD.\*  
 ULTRATECH CEMENT LTD.\*  
 HERO MOTOCORP LIMITED.\*  
 KOTAK MAHINDRA BANK LTD.\*  
 MARUTI SUZUKI INDIA LTD.\*  
 STEEL AUTHORITY OF INDIA LTD.  
 STERILITE INDUSTRIES (INDIA) LTD.  
 ADANI ENTERPRISES LTD.  
 DLF LIMITED.\*  
 HCL TECHNOLOGIES LTD.  
 RELIANCE POWER LIMITED.\*  
 IDEA CELLULAR LTD.\*  
 BANK OF BARODA.\*

## CONCLUSION

The Corporate Social Responsibility is one of the most talked about corporate theme of today, CSR has become the need of today as companies are also drawing interest towards it, The triple bottom line approach of CSR state that there are three main dimension of CSR namely people, planet and profit. In India many reputed company are doing their bit to help the society at large, but still the number of concerned ones are less. The Indian government is trying to implement CSR in Indian companies to help the society and all stakeholders and the first step of MCA in this direction is National voluntary guidelines launched in 2011 to assist the organizations in formulating their CSR practices and how the organizations should go about executing the practices developed. These guidelines are easy to understand and implement. The guidelines have been formed in 9 principles with core elements to support the each principle and with each principle a sections also have been given to help the management implementations of these SR practices in the business. But there are some limitations also attached with this guidelines such as, they were prepared without full range of consultation (including consumer), so basically stakeholder dialogue has not been taken care by the formulating committee. The actual wants and requirements of stakeholder did not included in these guidelines, but apart from these some flaws the guideline is good and congratulatory step taken by the Indian government.

The Business Responsibility Reporting requirement from SEBI is one another welcome move and brings India to the front position of this global rising practice. The planned applicability, with the top categories of companies first in procession, is particularly helpful to build experience in the industry as well as set a standard for the quality of reports.

In new company's bill, Clause 135 states that the largest profit earning companies should appoint independent directors in their Board. This will promote transparency and good corporate governance, as the independent directors are from the outside of the company and work honestly and governance of the company is also being in good condition. The Clause of disclosure helps the transparency in all the activities of the company, and provides the real information from inside the company. The clause of minimum spending will necessitate the company activities for social betterment. Earlier CSR activities were taken as philanthropist activities but now it became the important demand of society and without considering it no business can able to achieve these objectives. But there some weak spots are also observed in the inclusion of new clause as Indian government framed this clause 135 on CSR but did not gather information's from the different stakeholders they just developed this clause especially Schedule VII related thereto on their own, without the proper consultation and ignored the interest of different stakeholder. This clause doesn't provide the full and required information in engaging and implementing CSR strategy in the organization. The list of activities given the Schedule VII is very limited. The government could have engaged the stakeholders at the time of framing this clause, so it could have been better and could have contained all the required information. The NVG is a tool that provides guidance on 9 core principles for CSR activities. However, it doesn't provide practical guidance on creating shared value or stakeholder engagement, in CSR planning and implementation. Therefore, it will be useful For Indian companies to us ISO-26000, AA1000, GRI.3 as supplementary tools for implementation and report CSR based on National Voluntary Guideline (NVG). However despite this shortcoming it is a good start and will hopefully be improved in the CSR movement takes root in India.

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