

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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## A STUDY OF CSR IN INDIA

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### ABSTRACT

*In this paper, we discuss about the corporate social responsibility conceptual evolution and the implication of the mandate in companies act 2013 on Indian companies context. This research commences by providing an insight about CSR from just being a charity and philanthropy perception to spearheading changes in welfare and uplifting society overall. On the other hand, assessing the pros and cons and the implications of this relatively new mandate of companies act which has increased the number of companies under the purview CSR clause and justifying the matter in concern.*

### JEL CODE

M14

### KEYWORDS

CSR, Companies Act 2013, evolution of CSR.

### INTRODUCTION

Though the practice of CSR is not a new concept for India or the nations across the globe for that matter. But it has taken a paradigm shift by leaps and bounds. But gradually with the emergence of the big business empires and brands taking over the market in all fields and genres of an individual's life have become pertinent and imperative. This makes the business concerned about their own self image, reputation or goodwill. The way the stakeholders perceive the company. Being associated with a good quality lofty brand or a product as a stakeholder/customer/investor would defiantly give rise to a feeling of pride to be part of such business/organization. Society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

In the first phase charity and philanthropy were the main drivers of CSR. (Chahoud, Dr. Tatjana, 2007)

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. According to Gandhi, Indian companies were supposed to be the "temples of modern India". ("Understanding and Encouraging Corporate Responsibility in South Asia". 2001.)

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labor and environmental standards. During this period the private sector was forced to take a backseat.

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing (Gajare, R.S. (2014).

A conceptual study of CSR development in India CSR is not a new concept in India. Ever since their inception, corporations like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of companies feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

### LITERATURE REVIEW

"A robust and thriving development sector is central to India's quest for equitable, inclusive and sustainable growth. India's development sector has evolved substantially over the last few decades and is now witnessing unprecedented interest and investments across the value chain"

(Rakesh Bharti Mittal Chairman, CII's Development Initiative Council and Vice Chairman and Managing Director, Bharti Enterprises.2014)

"Philanthropy and CSR is not a novel concept for Indian companies, however a few organizations are likely to struggle. The role of civil society in fuelling this change is bound to be extremely important. With the new corporate resources in their tool bag much will depend on their ability to innovate and adapt"

(Harpal Singh Mentor and Chairman Emeritus, Fortis Healthcare Limited, 2014)

"Like for all good things, corporate India had to wait a long time for a corporate reporting framework that is current, and with some work, can be considered visionary. Introduction of the comply or explain principle in the case of CSR rule is one such example."

(Vishesh C Chandiok, National Managing Partner Grant Thornton India LLP, 2014)

"They review contemporary CSR trends in India concluding that although the corporate sector in India benefited immensely from liberalization and privatization processes, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth".

(Bimal Arora and Ravi Puranik, 2004)

### OBJECTIVES

- To study the conceptual evolution of CSR in Indian context.
- To analyze the Implications of companies Act 2013 section 135.
- To study the effect of Mandatory CSR provision on performance of Indian companies. To analyze the results for the companies not complying
- To understand the challenges faced by CSR in India currently.
- To study whether section 135 will lead to satisfaction of the shareholders and stakeholders.

### RESEARCH METHODOLOGY

Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

**BACKGROUND**

There are more than 1,000,000 registered companies in India out of which less than 1percent companies are traded on the Indian Stock Exchange. A new Trend has started in Corporate is the establishment of special committees within the board of directors to oversee CSR activities. Groups of corporate are being encouraged to come together to promote CSR..

CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

In an article on Trust and Corporate Social responsibility: Lessons from India, authors mentioned Spirituality and Corporate Social Responsibility have had a deep-rooted connection in India. A phenomenon that has preceded the coining of the term 'CSR', the link between the 'karma' as espoused by sacred Indian texts and initiatives anchoring corporate as responsible citizens has been amply evident in India since the early days. This is widely divergent from the perspective of corporate social responsibility in Western economies as reflected in the observation by Arthur Page, vice president of public relations at AT&T for around 20 years and former advisor to the US President: "... all business in a democratic country begins with public permission and exists by public approval ...."

Viewed from this perspective, public relations professionals are the custodians of trust for the corporate world. While the global spotlight today focuses on debates on corporate trust, India can proudly flaunt a head start in this arena. Yet, before we present India's case, let's briefly scan some recent happenings, particularly in the US, that led to an erosion of trust in Corporate Inc. worldwide.

Education is the most preferred area of CSR for Indian companies, with 85% of the companies surveyed engaged in it, followed by health (67.5 per cent) and rural development and livelihoods (57.5 %)

**IMPLICATIONS OF THE MANDATE UNDER SECTION 135 OF COMPANIES ACT 2013**

Even though so much has been done and said about conceptual framework of CSR the question comes in mind what was the need for a mandate for complying, was it even required at all? So, what is the new mandate for CSR?

In August 2013, the Indian parliament passed the Indian Companies Act, 2013 (the "New Act"), which has replaced the Companies Act of 1956. The New Act has made far-reaching changes affecting company formation, administration and governance, and it has increased shareholder control over board decisions. The New Act is being implemented in stages

One of the New Act's most startling changes—which came into effect on April 1, 2014—has been to impose compulsory corporate social responsibility obligations ("CSR") upon Indian companies and foreign companies operating in India. These obligations mainly come in the form of mandatory amounts companies must contribute to remediating social problems. This is a wholly new requirement; although companies were permitted, within certain limits, to make charitable contributions in the past, the New Act is essentially a self-administered tax. The Indian Ministry of Corporate Affairs recently has published, or "notified," detailed rules implementing the CSR requirements.

The threshold coverage levels for CSR are low. Companies are subject to the CSR requirements if they have, for any financial year:

- a net worth of at least Rs. 5 billion (approximately U.S.\$80 million);
- a turnover of at least Rs. 10 billion (approximately U.S.\$160 million); or
- net profits of at least Rs. 50 million (approximately U.S. [\$800,000]).

Companies meeting these thresholds are required to develop a CSR policy, spend a minimum amount on CSR activities and report on these activities, or prepare to explain why they didn't.(Grant Thornton,2014)

Though for the veteran companies fervently and vigorously engaged in CSR activities will definitely prove to be at competitive advantage as for them to further establish their roots harder in the ground of Indian domain. And, on the other hand for the startups, and other newly establishing business and organization the organizations which were earlier not under this bracket but due to the mandate will be enveloped under this mandate will have to filter their hindsight in a manner to make their mark, though it might add the pressure on such organization whose sole motive was customer satisfaction, research and development operation.

In a nutshell this CSR mandate would turn out to be an edge for veteran CSR expert organization over the rest which indeed would feel the pressure to cope up with the mandate.

Also, this might lead to compromising on their R&D cost or ultimately anticipated in increased prices of services and products.

This might lead to manipulation of funds by the organization to oblige to the extra amount to be invested as in the past also many companies were found to be having fake NGO'S only for namesake, to save money, evade taxation ,and so on.

Thus, the government has taken this step in good intention for the benefit of society but it should weigh the loopholes as well by clarifying the roles ,duties, penalties ,alternatives of the CSR for different sectors for more equality and justice for the companies as well.

**RECOMMENDATIONS**

It is found that companies involved in CSR implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment, to mention a few. In many such contexts, it's noticed that companies end up duplicating each others' efforts on similar projects in the same geographical locations. This creates problems and induces a competitive spirit amongst companies. Considering the diverse issues and different contexts that exist currently in the CSR domain, it is recommended that companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility. This alliance, representing various industry interests, should take up broad development agenda and provide high value services to the poor and the underprivileged. Over the years, the alliance would grow into a special purpose vehicle (SPV) and work closely with stakeholders to raise the level and quality of CSR interventions. There are already such models available in different industry segments both within the country and overseas; all that is needed is to identify and leverage these models to set up a national platform for effective thought alignment between companies and other stakeholders, in order to redefine CSR practices in India.

It is noted that the Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged. Incentives to be offered to the private sector to strengthen their good work must include a formal partnership with local administration, easy grant of 12A, 80G and Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects. This will be instrumental in encouraging enhanced voluntary participation of greater number of corporate houses in CSR activities.

It is found that corporate houses and non-governmental organizations should actively consider pooling their resources and building synergies to implement best CSR practices to scale up projects and innovate new ones to reach out to more beneficiaries. This will increase the impact of their initiatives on the lives of the common people. After all, both corporate houses and non-governmental organizations stand to serve the people through their respective projects and initiatives. It is recommended that the projection, scaling up and sustainability of CSR projects need to be safeguarded at all costs for their efficiency and efficacy.

**CONCLUSION**

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporations. Not one but all corporations should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills



such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track (Sathish, Ramya).

The New Act's CSR requirements will increase the costs of doing business in India and add to existing administrative and reporting burdens.

Unfortunately, the sheer amounts of money that must now be spent on CSR in India have increased substantially the dangers of violating U.S. and U.K. law, and we expect that there will be close scrutiny of companies' CSR payments by United States and U.K. authorities. Because of these risks, foreign companies with operations in India should seek the advice of counsel in structuring the CSR programs and establishing internal controls.

This step does absolutely make India a strongest economy in terms of CSR history for rest of the nation.

But, the government should clarify certain procedure if certain companies fail to adhere to the mandate to whatsoever reason

Because the ultimate aim of the government via CSR initiative is improvement of society and not unnecessary pressure. Thus, the government shall weigh the balance of such mandate affecting different scale of companies and consider different sectors and natures of business.

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