CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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ABSTRACT

The present study is related to corporate social responsibility in Indian context. It is undertaken to study the concept of CSR by taking into consideration the Indian scenario. This study is descriptive in nature and secondary data inclusive of qualitative data has been used to draw the conclusion. The study revealed that CSR is not new to India, it has its roots in India since ancient times and by enacting Companies Bill, 2012 Government of India becomes one of the pioneers Country in the world to make CSR mandatory for the growth and development of the underprivileged sections of the communities of the country.

KEYWORDS
Corporate Social Responsibility, Business Organisations, Companies Bill, 2012.

INTRODUCTION

Corporate Social responsibility (CSR) refers to all duties and obligations of business directed towards the welfare of society. These duties can be part of routine functions of carrying on business activity or they, may be an additional function carrying out welfare and rehabilitation activities. The people engage in business to earn profit and profit making is not the sole function of the business. It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival of owners, investors, employees, consumers, and governments in particular and the society and community in general. The term "Corporate Social responsibility" came into common use in the late 1960s and early 1970s, after many multinational corporation formed.

NEED OF STUDY

The Corporate social responsibility is an important management obligation towards society. It has emerged as a significant theme in the global business community and become a mainstream activity of modern business organization.In recent times there are other similar movements like green marketing, corporate governance, ethical business have been initiated by the Indian companies. So, to understand the concept and scope of CSR in Indian context this study has been undertaken.

REVIEW OF LITERATURE

Srivavsatva et al (2012) in their research, *"Corporate Social Responsibility: A Case Study of Tata Group,"* revealed that the business houses started realizing that they would have to rise over and above the profitability and take care of all those associated with their survival in the society directly or indirectly. This realization resulted into the concept of corporate social responsibility. An understanding about the corporate social responsibility, delving into its concept and finding out its scope has been also considered Tata Group under Mr. Rattan Tata, who has exemplified the sense of responsibility towards the upliftment of common masses and protection of the environment and development of the nation.

Berad (2011)in the study, *"Corporate Social Responsibility-Issues and Challenges in India,"* revealed that by analyzing the findings and reviewing of the issues and challenges faced by corporate social responsibility activities in India. Companies such as Tata and Birla are practicing the Corporate Social Responsibility for decades, long before corporate social responsibility becomes a popular concept. In India corporate social responsibility is in a very mush budding stage. The lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of corporate social responsibility programmes. A large number of companies are undertaking these activities superficially and promoting/highlighting the activities in media.

Sharma, Sharma and Devi (2009) in their study, *"Corporate Social Responsibility: The Key Role of Human Resource Management,"* explored the engagement of human resource management professionals in undertaking corporate social responsibility. It is also suggested that human resource management take a leading role in encouraging corporate social responsibility activities at all levels. The combined impact of corporate social responsibility and human resource activities, which reinforce desirable behaviour, can make a major contribution in creating long-term success in organizations.

OBJECTIVE OF STUDY

To understand the concept of Corporate Social Responsibility in Indian Context.

RESEARCH METHODOLOGY

The present study is descriptive in nature, so secondary data which includes the qualitative data has been used to draw the conclusion. Various articles, books, journals, research papers, news articles, thesis and dissertations have been consulted and studied.

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Developing economies, including India, are coping with issues related to poverty, child rights, community welfare etc. and are a hotbed for innovative corporate social responsibility scenario which is still shaping up. As India rides the wave of economic boom and commercial success, corporate social responsibility is presenting itself as an opportunity and an important requirement for corporate to be engaged in. This will help towards faster and more balanced growth of our society.

The role of corporate sector by and large has been understood in terms of a commercial business paradigm of thinking that focuses purely on economic parameters of success. As corporate have been regarded as institutions that cater to the market demand by providing products and services, and have the onus for creating wealth and jobs, their market position has traditionally been a function of financial performance and profitability.

However, over the past few years, as a consequence of rising globalization and pressing ecological issues, the perception of the role of corporates in the broader societal context within which it operates, has been altered. Stakeholder i.e. employees, community, suppliers and shareholders today are redefining the role of corporates taking into account the corporates' broader responsibility towards society and environment, beyond economic performance, and are evaluating whether they are conducting their role in an ethical and socially responsible manner.

In India, in the pre-independence era, the businesses which pioneered industrialization along with fighting for independence also follow the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations either monetary or otherwise were sporadic activities of charity or philanthropy that were taken out of personal savings which neither belonged to the stakeholders nor did it constitute an integral part of business.

CORPORATE SOCIAL RESPONSIBILITY: A HISTORICAL DEVELOPMENT

The development of Indian corporate philanthropy can be categorized through following stages: -

STAGE I: FROM 1850 TO 1914

The most significant shift that happened at the turn of the nineteenth century was that the religious underpinning of charity work, often restricted to members of the society in a more secular manner. Newly flourishing business class initiated the efforts through institutionalizing traditional corporate philanthropy through trusts and they setup educational institutions, orphanages, hospitals, and patronized libraries, art galleries etc. Due to their active interest in social and religious reforms, many of the business leaders of this period were also revered as social leaders**.**

The Tata family deserves special mention in this context, as several members of this family business pioneered institutionalized philanthropic work in India through the ages. Jamshedji Tata established a scholarship for Indian students to study overseas, his sons Sir Dorabji Tata established centers for cancer research and social sciences, and Sir Rattan Tata supported research in poverty alleviation

STAGE II: FROM 1915 TO 1960

This era is termed as the golden Age of both Indian capitalism and corporate philanthropy. The Gandhian social trusteeship theory is a product of this era. This phase saw the flourishing of Indian business houses concurrent with the struggle for independence. Therefore, a strong nationalistic element is visible among the philanthropic practices, and many of the upcoming and prominent business leaders contributed to the causes of social reforms, poverty alleviation, caste system, and women empowerment etc.

Under British rule, the economic policies were not favourable towards indigenous businesses, and the business leaders increasingly played an important role in the independence movement. The philanthropy of this era, although similar to the early industrialization phase (i.e. physical and social infrastructure), had a naturalistic feeling with the vision of independent India. The popular slogans from the independence movement such as 'Long Live India' and 'Victory of India' were transmitted into philanthropic work as well as, and continued well after independence**.**

The philanthropic/Corporate social responsibility focus was concentrated in more visible, social aspects, rather than the environmental ones. Several business houses such as the Tatas, Birlas Bajajs, and Sarabhais commissioned and patronized instates of Indian history and art, while at the same time focusing on centers for scientific and technical research.

STAGE III: FROM 1961 TO 1970

As the first premier of post-independence India, social development featured prominently in statesman Pt Jawahar Lal Nehru's agenda. Nehru had a socialistic viewpoint towards development, and supported a large-scale industrialization. He thus propounded a 'Statist' model of corporate social responsibility, whereby domestic and state owned enterprises took the lead in economic activities.

For the first time, terms like, "Corporate Social Responsibility", got prominence and business leaders realized the importance of participation in community development to ensure their license to operate and increasingly started to profess and practice social responsibility. In 1970s, India began to adopt industrial pollution control measures, and the first set of environmental regulations began to emerge**.** However, implementation and enforcement of environmental laws have not been comprehensive.

STAGE IV: FROM 1971 TO 1990

The 1980s gradually saw the rise of Indian business houses as players in global market, with large and diversified businesses. This led to higher expectations from the corporations to contribute to social agendas, and they usually obliged**.**

The 1980s also saw the dramatic enlargement of the Indian business community and traditional business families such as Tata, Birla, and Bajaj were joined by up-and-coming family conglomerates such as The Reliance Group, Ranbaxy, TVS, Mahindra and Mahindra, and professionally managed companies such as Hindustan Level Limited, Indian Tobacco Companies, and Colgate-Palmolive alike. This growth led to a surge of employment in the private sector, and companies adopted various employee development schemes in order to retain talent**.**

Corporate social responsibility in India thus essentially has been practiced as corporate philanthropy over the years, with roots in Hindu (Vedic) philosophy, and subsequently, the Gandhian Trusteeship Theory.

STAGE V: FROM 1991-ONWARDS

Similar to, many western economies, corporate social responsibility has been gaining increasing exposure in India, and numerous corporate social responsibility awards and conferences have flourished in the recent years.

Indian corporations still do not face consistent pressure from national non-profits or third parties regarding sustainability responsibilities. The pressure exerted mostly comes from international bodies[76]**.** However, some studies have claimed that the wave of corporate social responsibility measures have been replacing the traditional passive philanthropy. The majority of the bigger firms in India (of both local and foreign origin) claim to have corporate social responsibility policies and practices.

The Indian Tobacco Company (ITC) is regarded as one of the most corporate social responsibility-oriented company in India, regardless of the fact that its principal product is cigarettes-not exactly a product with high sustainability virtues. Indian Tobacco Company (ITC) has nonetheless won various awards for its corporate social responsibility initiatives and its chairperson is a pioneer among Indian companies to use ‘sustainability’ and ‘triple bottom line’ as the theme for the annual general meeting**.**

THE COMPANIES BILL (2012): START OF NEW DAWN IN INDIAN BUSINESS SCENARIO

In India, the concept of corporate social responsibility is governed by clause 135 of the Companies Bill, 2012 had introduced various provisions which would change the manner Indian Corporate houses run their business and one such provision is providing funds for corporate social responsibility activities. The Corporate social responsibility that has earlier been voluntary part by business houses now included in the Indian legislation and becomes a statutory obligation on the part of corporate.

The Companies Bill, 2012 has introduced the idea of corporate social responsibility to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, includes the corporate social responsibility activities, suggests communities to be the focal point.

The Section 135 of The Companies Bill, 2012 includes the following: -

The Company having: - (i) Net Worth of Rs. 500 crore or more; (ii) Turnover of Rs. 1,000 crore or more; (iii) Net profit of Rs. 5 crore or more during any financial year shall constitute a corporate social responsibility committee of the Board; and (iv) The Board Committee would consists of three or more directors, out of which at least one director shall be an independent director.

SCOPE OF CSR

The various corporate social responsibility activities to be included in the corporate social responsibility policy of the company as specified in the schedule VII of The Companies Bill, 2012 are as follows: -

- 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 the socio-economic development and reliefs 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.

The Clause 135 of the Companies Bill, 2012 also gives the provision to constitute a CSR Committee of the Board and the tasks of the committee are as follows: -

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall be indicating the activities to be undertaken by the company as specified in Schedule VII;
- Recommends the amount of expenditure to be incurred on the activities referred under the Schedule VII;

- Monitor the corporate social responsibility policy of the company from time to time;
- Format for disclosure of CSR policy and the activities as part of Boards report will be prescribed in the rules and regulations once the Bill has been enacted.

CONCLUSION

From the above discussion it is concluded that Corporate Social Responsibility is not new to India. Since ancient time CSR initiatives have been undertaken for the welfare of community at large. Before the inception of Companies Bill, 2012 CSR was voluntary on the part of business organisations and they spend money as per their will for the growth and development of underprivileged sections of the society in India. But after the Companies Bill, 2012 has enacted by the Indian Government CSR has become mandatory initiative in the country India. India becomes the pioneer country to make CSR initiative mandatory for business organisations government as well as private running their business. Enactment of Companies Bill, 2012 shows that Indian Government is deeply concerned with the society in which business organisations are running their businesses and exploiting the resources of that society for earning profits and maximization of wealth. It is mandatory for the organisations give something in returns to the society, whose resources have been used by these for their growth and development.

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