
Dr Manoj Pandey & Rajiv Kumar Dwivedi,
Asstt Prof Amity Business School, Amity University, Gwalior
manojpandey4@gmail.com & rkdvsns@rediffmail.com

Corporate social responsibility isn’t a new concept in India. For many Indian conglomerates have been spending huge amount of money on underprivileged & weaker sections of the society much before the concept became a legislation. Mahatma Gandhi, the father of Nation had a strong faith in the concept of trusteeship. According to him nothing belongs purely to an individual as whatever has been earned, has been earned from the society and is meant for society.

Bill Gates, The founder of Microsoft donated 90% of his wealth & similarly Azim Premji the founder of Wipro also donated 65% of his wealth on underprivileged, deprived class & charity. After the 26/11 disaster of Mumbai which added a black page in the golden history of Taj Palace Hotel, Tata’s spent huge amount of money and other benefits to all those directly or indirectly affected by that unfortunate event.

In fact there is no universally accepted single definition of Corporate Social Responsibility i.e CSR but out of all, most of the definitions talk about carrying out business activities with a positive and caring approach and attitude towards the society. Redfort 2005 talks about having business with a positive impact on the community and meeting or exceeding public expectations of a good corporate citizenship. One other definition says, “Achieving commercial success in ways that honor ethical values & respect people, communities and the natural environment”. Strategic CSR on the other hand involves developing programmes, policies and plans that benefits the organization as well as society at large.

Society and business are dependent on each other and don’t exist separately. Business provides services, products and jobs while society provides manpower, markets and consumers. Both of these can’t survive without each other. Thus it makes sense for both society and corporate to work with and for each other.

The History of CSR in India

First Phase: The first phase starts from middle of 19th century till early part of 20th century. In this phase, entrepreneur of those times used to share a part of their wealth for making religious monuments and helping the poor.

Second Phase: This phase ranges from early 20th century till the independence. Indian entrepreneurs contributed towards the development of integrated India. The sense of trusteeship was inculcated by Mahatma Gandhi, Father of the nation which had an influence on the entrepreneurs of that era This phase also saw responsible entrepreneurs.

Third Phase: This phase ranged between 1950 to 1990. This era was also dominated by public sectors and thus their role towards CSR became very crucial which was well justified by these PSU’s. The era changed from domestic to Global and from Global to environmental concern. This era also saw underutilization of resources to optimum utilization of resources.

Fourth Phase: This phase starts from 1990 to the date when CSR Bill got implemented ie April 2014. This is the period which has seen LPG i.e Liberalization, Privatization and Globalization and thus the new era of development of Indian economy.

Fifth Phase: This is the time which has just begun and it is very early to comment on this phase. Although this is the phase in which CSR will be used strategically by the corporate that has entered
into compulsive mode being enforced by legislation. This phase surely has huge hidden potential and can bring about a great change if the entire concept is understood well and implemented religiously..

**Companies Act 2013 (Clause 135)**

Under the current Company Act 2013 (Clause 135) which got passed by both the houses of the parliament and received the consent of the President of India on 29th Aug 2013 and is being implemented during the current FY 2014 – 15. According to this any company which has a networth of Rs 500 cr or more or an annual turnover of Rs 1000 cr or more or a net profit of Rs 5 cr or more (profit after tax) shall make a CSR committee and also a board which will consist of three or more directors, out of which at least one director shall essentially be an independent director. The board will be liable to work on the formulation of CSR budget, CSR programs and policies and its implementation. This board will ensure that the organization spends at least 2% of their average net profits which the company has made during the last three years in accordance with the current CSR policy 2013. Also the organization shall give preference to the development of the local area / local community around which it operates. In case the company fails to spend the above said amount, the board shall specify the reasons for not spending the amount.

However the current CSR Policy does have some shortcomings.

1. Can the companies spend on CSR activities across Indian boundaries also?
2. The unlisted companies may not have any independent directors.
3. Will the unspent amount laps or will be carried further?
4. In case the company opens a school for the children of its own employees, will it be a part of its CSR activity?

**Current Practices By Corporate: Indian Scenario**

India has a rich tradition of corporate social responsibility (CSR). Conglomerates like Tata, Birla, Godrej, Bajaj and Mahindra have taken a lot of initiatives in the areas of clean drinking water, education, environment and medical services. There motive is to provide good services and benefit all those people who are devoid of these things.

**BSE Listed Companies on CSR Spending**

A small study was conducted to analyze 100 BSE listed companies that how they have spend on CSR activities in FY 2012-13. Keeping in the mind the 2% spending clause which has come into effect, where four different grades were made.

1. **Category A** – Companies that spent more than 2% of their average profit (Profit after tax) of the last three years.
2. **Category B** - Companies that spent between 1-2% of their average profit of the last three years.
3. **Category C** - Companies that spent between 0.5-1%.
4. **Category D** - Companies that spent less than 0.5% of their average profit of the last three years.

16 companies fell under Category A
28 companies came under Category B
22 companies came under Category C
Rest came under Category D

Adani Enterprises topped the category A with an average of 5.28% of the average of last three years net profit spent on CSR. Value wise the top spender was Reliance Industries with around 357cr. Thus the total spending on CSR by these top 100 BSE listed organizations was Rs 2724cr.

Now if all these 100 companies follow this 2% spending norm, the total amount spend by these organizations will be Rs 5690cr. And thus we can imagine that if this amount is spend on this very cause what can be the outcome? Cadbury has contributed in the field of literacy and health, J.K Tyres
has contributed in the field of health, education and environment, Godrej has been working on Green Business Centers, Smile Train, Teach For India, Udayachal School and Mobile Crèches And TATA Group has contributed in four areas.
1. Health (Arogya)
2. Education (Vidyadhanam)
3. Community Development (Kaushalya)
4. Environment (Vasundhara)

Apart from this few other companies have done a commendable job with respect to CSR activities which includes Amul, Moserbaer, NTPC, ACC to name few.

The Sustainable Model of CSR

As you can see in the above figure the sustainable model of CSR is a 3 tier bottom line Benefit Model. In the Model, the first tier is of course profits, which the European model is more focused to and in fact it is the basic objectivity of the existence of any organization in this world. The Second tier is our planet, i.e., the Environment factor. In fact it is the very basis of existence of Human beings and if the organizations don’t protect the nature and the environment the future of our coming generations can be at stake. The third tier is people (society or communities), on which the organization depend on. In fact all the three tier are connected with each other for their long term survival and making an organization sustainable in real sense.

In fact to become sustainable every organization has to continuously analyze and introspect itself on the following aspects.

1. Is the organization able to add value and satisfy its internal customers? i.e employees and stakeholders etc
2. Is the organization able to add value and satisfy its external customers? i.e customer and consumers.
3. Is the organization able to pass on the right value to the society and the environment?
4. Are the above aspects incorporated in the mission statement of the organization and are these aspects genuinely practiced on short and long term.

In USA, The Philanthropic Model of CSR has been defined slightly differently and more precisely. The companies in the US are focused to earn maximum profits, understand their duty of paying taxes and do so religiously. They also donate on regular bases for charity and social cause (Bill gates being a classical example) which is contrary to the European Model in which companies focus more on carrying out the business in a socially responsible and sustainable manner. According to me the European model of CSR is more sustainable as it serves both the purpose and creates a WIN-WIN situation for all i.e organization, society and the environment.
CSR Challenges and Limitations

In spite of the shining history of Indian businesses towards philanthropic activities and the new CSR mandate, there are certain challenges and limitations which our country is facing. Few of the challenges are given below

1. There is a genuine lack of interest in contributing towards CSR activities by few of the organizations as they are not able to understand the long term advantage of the same.
2. There is a big gap that we do not have trained professionals who can think out of the box and can go for strategic CSR plans and its implementations.
3. NGO’s and government bodies have a typical implementative approach which lacks innovation and follow up mechanisms.
4. Few of the organizations fall into the trap of gaining cheap and short term popularity by media and they actually fail to make the things happen in real sense.
5. Because of the huge geography of India many of the times the actual benefit is not passed to the community staying in deep and remote locations.
6. There is a lack of transparency by the organizations in disclosing their informations, audit reports and their websites are also not updated which indicates their sluggish approach towards a great cause.
7. Since there is no syndicate among these organizations, so sometimes there is a duplication of activities by two or more organizations.
8. Lack of co ordination between the organizations and district administration also challenges these activities at grass root level.

Limitations of CSR

Few of the limitations are listed below.

1. As per the new CSR Act 2013, the company is supposed to setup a board of 3 directors, which requires lot of resources. As the company has limited resources so focus and efficiency of the organization may be affected as they have to additionally plan for CSR activities, allocate the funds and a separate audit has to be conducted.
2. Because of this additional spending of 2%, the organizations may sometime tax their customers in terms of going for premium prices.
3. This CSR benefit may sometime be directed to the interest of their own employees and their wards, instead of passing it to the underprivileged and poor.
4. Because of this, the share of the stake holders may reduce a bit which may result in slight unhappiness and dissatisfaction among the stake holders, which in turn may put some back pressure of senior management of the organization.

We are sure that the future of Corporate Social Responsibility in India is very bright and the Indian corporate is enough mature and responsible that they can find hidden opportunities in the visible challenges and can use CSR in a strategic manner and can create a Win – Win situation for all the strategic partners.

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