

CSR PRACTICES IN INDIA: ISSUES AND CHALLENGES

DR. SUNITA
Associate Professor in Commerce,
Daulat Ram College,
University of Delhi, Delhi-110007

Abstract

The Companies Act, 1956 is replaced with The Companies Act, 2013 and 'corporate social responsibilities' (CSR) has been made mandatory for a particular class of companies. There has to be an all inclusive growth of the society with the growth of the companies. Perhaps keeping this in mind, indian law makers brought this law. In this paper CSR practices followed by different companies have been studied to understand the issues and challenges ahead.

Key words: Corporate social responsibility, CSR, CSR practices, Mercer report

India has become the first country in the world to make it mandatory from April 2014 for companies with a net worth of over Rs 500 crore or yearly sales of Rs 1,000 crore plus or those booking net profit in excess of Rs 5 crore to allocate at least 2% of their profits to Corporate Social Responsibilities (CSR). The Companies Act, 1956 was replaced with the almost rewritten The Companies Act, 2013. Sec 135 of the Act deals with CSR. Every such company 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. The Corporate Social Responsibility Committee shall formulate and recommend Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; recommend the amount of expenditure to be incurred on CSR activities and monitor the Corporate Social Responsibility Policy of the company from time to time.

Corporate social responsibility (CSR) is also called as corporate conscience or sustainable responsible business. Earlier it could be said as a corporate self -regulation integrated into a business model but now-a-days it is compulsory for class of companies. Let us try to study

about CSR with the help of various news clippings on CSR.

According to Batra, Dasgupta and Das¹, Companies in India, particularly mid sized and small ones, may go dutch to meet corporate social responsibility (CSR) norms under the new corporate law, a move that can help them cut down on common costs and maximize impact of the money they spend on philanthropy. Agreed Stephanie Draper, deputy chief executive of Forum for the Future, a UK based non-profit group, saying, "We think that this 2% CSR spend will be more impactful if companies combine efforts and really think through the change they want to see together. This means both pooling resources and investing in collaboration. This reduces the risks for individual companies and, perhaps more importantly, it holds out the prospect of a better social return on investment.

For example, State-run Rural Electrification Corporation has decided to contribute about Rs 2 crore to a literacy project which was already receiving funds from the largest public sector natural gas company GAIL (India). More such arrangements of resource pooling between firms with shared philanthropic ambitions are being thrashed out in what could well become a trend. "REC's decision to back non-governmental organisation Aroh Foundation's Padho Aur Badho, a government-led right to education initiative which had received about Rs 5 crore from GAIL, came after it approached Indian Institute of Corporate Affairs (IICA), an arm of the Ministry of Corporate Affairs, which in turn identified that the PSU's social vision matches that of GAIL and advised it to join the ongoing project," said a consultant with direct knowledge of the matter.

"That the government is bullish about the prospect of such groupings going is apparent from the fact that we have specially set up a dedicated cell under National Foundation for CSR (NFCSR), an arm of IICA to facilitate more such alignments between companies," said Nikhil Pant, chief programme executive of NFCSR. The government is focusing on helping 1,400 top listed firms to comply with the norms and this trend may gather more steam as the focus shifts to smaller firms, he added. While spelling out nuanced rules for the CSR obligations earlier this year, the corporate affairs ministry made an explicit mention of such possibilities.

1. 1 Batra, S., DASGUPTA, Y., & Das, S. (2014, Apr 19). Indian cos may go dutch to meet CSR norms, maximise impact of social joint ventures [corporate trends]. The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1517468936?accountid=10461>

According to first installment of a two edition special, ET Corporate Dossier², in league with Futurescape and IIM Udaipur, India's Best Companies For CSR 2014, Top 5 slots split between TATA, Mahindra Group & Maruti Suzuki only. It presents the definitive listing of companies with the best programmes for Corporate Social Responsibility (CSR):

1. Tata Steel
2. Tata Chemicals
3. Mahindra Group
4. Maruti Suzuki
5. Tata Motors
6. Siemens
7. Larsen & Toubro
8. Coca-Cola India
9. Steel Authority of India
10. Infosys

Tata motors³ drives CSR through health care and education, the company runs its Mechanic Motor Vehicle program with the help of its dealers and skill development agencies, it has 137 industrial training institutes to develop skilled labour in the agriculture and automotive sector.

According to RC Bhargava, Chairman, Maruti Suzuki⁴, who sits on the three-member CSR

-
2. 2 India's best companies for CSR 2014: Top 5 slots split between TATA, mahindra group & maruti suzuki corporate dossier]. (2014, Nov 29). The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1628562218?accountid=10461>
 3. 3 Philip, L. (2014, Nov 29). India's best companies for CSR 2014: Tata motors drives CSR through healthcare and education [corporate dossier]. The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1628562377?accountid=10461>
 4. 4 Mitra, M. (2014, Nov 29). India's best companies for CSR 2014: Community development and road safety propel maruti in the fast lane corporate dossier]. The Economic Times (Online) Retrieved from

board, the fundamental philosophy driving CSR at Maruti centers around long-term sustainability of the business for all stakeholders. "We manufacture cars and it is very difficult to isolate the environment and resources, including people, which aid in the manufacturing process," he says. The argument opens up three vistas of investment for the car major in CSR-community development, skill development and road safety. Across plant locations, Maruti has gradually woven an ecosystem based on development, be it around water and sanitation or education. So depending on social needs, the company undertakes projects, such as availability of clean drinking water or upgrading waste management facilities. "Our approach has always been to work on the real needs of the communities, like school education, sanitation and health awareness," says K Ayukawa, Managing Director &CEO, Maruti Suzuki. In partnership with the local community and government, Maruti upgrades the infrastructure of government schools apart from offering scholarships to meritorious students from underprivileged and economically weaker communities. And as a direct link to its business, Maruti does offer scholarships to children orphaned as a result of road accidents. The business linkage to Maruti's social work just doesn't end there. Besides upgrading government vocational and technical training institutes, it goes an extra mile to enhance skills in the auto sector. It provides industry exposure to both students and staff of ITI and enhances skills of students at various polytechnics, creating employment opportunities in automobile service workshops. The other area for Maruti is, of course, road safety where it imparts skill development in driving as well as road safety education. Apart from training people on road behavior, there needs to be better enforcement of rules. "We must use modern technology rather than policemen for road safety," says Bhargava, adding that Maruti is keen on implementing road safety rules through technology in a mid-sized city, such as Indore. "We must modernize our traffic management." "What next? That's a question weighing on RC Bhargava's mind ever since Prime Minister Narendra Modi initiated the 'Swachh Bharat' (Clean India) campaign. "In the campaign, maintaining toilets will be a bigger challenge and so we want to take up some schools in some of the tehsils or taluks through mobile vans, specially meant for toilet maintenance," he says. The mobile vans, of course, will be Marutis.

<http://search.proquest.com/docview/1628562693?accountid=10461>

Samsung Electronics Co. Ltd⁵ CSR programmes focus in the areas of education, culture, sports, social welfare and community development. Under its CSR initiatives, Samsung is already working on projects like Guru Shiksha programme, Samsung Smart School, Samsung Technical Schools, Nanum' village project and MSME-Samsung Technical Schools.

Let us now discuss/review/study about the CSR further with the help of Mercer survey report which came in November, 2014 itself.

A survey was conducted was conducted across 40 organizations in India, with respondents based in different cities in India and from various sectors by leading HR consulting firm **Mercer** titled 'Corporate Social Responsibility and Sustainability Programs, Policies and Practices Survey.

Shanthi Naresh, business leader, Information Solutions, Mercer India said, 'The importance of CSR/sustainability is seeping deep into Indian companies as three out of four companies in India already have or are planning to form a core team dedicated to CSR/sustainability within the next one to two years.'

The increasing importance of CSR was quite well indicated as 75% respondents stated that they feel that CSR has become more important at their company over the past two years. In fact, 81% feel that it is an extremely important component for business strategy.

The findings (probably the first of its kind), are quite interesting as they throw light on the sectors where the majority of CSR investments are going.

Education has emerged as the most favoured segment for corporate social responsibility (CSR) spending followed by community- based development and environment sustainability for the companies surveyed by it. According to the survey, 81 percent of the companies surveyed said their CSR spend was on activities related to education, 64 percent on community development and 61 percent on environment sustainability. It further says that these spends vary between Rs 9 lakh and Rs 25 crore annually but the report does not give details such as what is being done by the companies for education or community development, and hence not that clear.

-
1. 5 Samsung electronics co. ltd names rajiv mishra as new india CSR head hardware. (2014, Dec 08). The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1633925073?accountid=10461>

The majority of companies conducted their CSR/sustainability initiatives by partnering with a local, independent non-profit organisation (78%), whereas 17% of companies stated that they work with their company's own non-profit organisation. This, however, is not really permitted by the law as it clearly states that the companies should not invest money in a foundation or other social organization that has the investing company's director as its founder or trustee.

Over a quarter of participating companies indicated that they are integrating social and environmental priorities into their business models to generate shared value.

73 per cent companies said they already had a CSR policy in place, 17 per cent said they were undertaking such activities without a policy or guidelines, while 10 per cent said their company did not undertake CSR activities.

Only about one-third of Indian organisations stated that they issue an integrated annual report on their CSR activities compared to the global results where almost half the participating companies worldwide stated that they provide an integrated annual report on CSR, presenting an area for improvement for companies in India. Further, quantifying the business value of CSR/sustainability initiatives is among the top challenged faced by participating companies in India.

The difference between the Indian and similar global survey results was that nearly 44% of Indian companies stated that they have a dedicated team responsible for CSR compared to only around one-quarter of companies globally having a dedicated team. The most common function to hold part-time responsibility for CSR/sustainability is Human Resources (HR), both in India and globally. However, in India, a significantly higher number of companies held HR responsible for CSR/sustainability (90%), compared to the global result of 69%.

As per the Companies Act 2013, about 14,000 companies are mandated to spend towards CSR, the sample of only 40 organisations does not seem to be adequate.

The Mercer report also does not say if the companies surveyed fall in the ambit of the CSR law and hence are mandated to spend two per cent of their net profits after tax towards CSR. As the new law has just begun to be implemented in this financial year and most organizations are in preparation mode – wherein many are either formalizing their new CSR policy or are revisiting and modifying their existing policy or guidelines – the findings cannot possibly be relevant for a long time. The scenario may be significantly different when all the companies share their first annual CSR report, which is expected to happen in financial year

ending March 2015.

let us hope that CSR whether made mandatory now for a class of companies and even for other companies/firms for which it is not mandatory, will function as a built -in, self-regulating mechanism which ensures its active compliance with the spirit of the law and ethical standards to bring an all inclusive development of the nation with the corporates.

Bibliography

1. India's best companies for CSR 2014: Top 5 slots split between TATA, mahindra group & maruti suzuki corporate dossier]. (2014, Nov 29). The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1628562218?accountid=10461>
2. Philip, L. (2014, Nov 29). India's best companies for CSR 2014: Tata motors drives CSR through healthcare and education corporate dossier]. The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1628562377?accountid=10461>
3. Mitra, M. (2014, Nov 29). India's best companies for CSR 2014: Community development and road safety propel maruti in the fast lane corporate dossier]. The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1628562693?accountid=10461>
4. EDUCATION MOST FAVOURED FOR CSR SPEND IN INDIA: MERCER SURVEY (81 percent of the companies surveyed said their CSR spend was on activities related to education). (2014, Nov 15). India Business Insight Retrieved from <http://search.proquest.com/docview/1625043663?accountid=10461>
5. Education is the most favoured area for CSR spend in india: Mercer survey. (2014, Nov 14). Businessline Retrieved from <http://search.proquest.com/docview/1625041363?accountid=10461>
6. Chaturvedi, A. (2014, Nov 14). 81% companies consider education as the top core area for CSR activities in india: Mercer survey corporate trends]. The Economic Times (Online) Retrieved from <http://search.proquest.com/docview/1623763356?accountid=10461>
7. http://info.mercer.com/rs/mercer/images/CSRSustainabilitySurvey_Report.pdf