



CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A PATH TO ACHIEVE SUSTAINABLE DEVELOPMENT GOAL

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ABSTRACT:

Corporate Social Responsibility is now accepted as a means to achieve sustainable development goal of an organization. The Corporates can no longer limit themselves in using resources of society and they have to be socially responsible corporate citizens and must also contribute to the social good. Today Indian corporate has gone beyond philanthropy concept and give more concentrate on all the stakeholders. All economically motivated behaviors of firms also need to consider their social and environmental impact. With the Companies Act 2013, the Indian government adopted a legislative approach to reconfigure the business-society nexus in form of mandatory CSR activities. Corporate Social Responsibility in India is finally a reality. Indian businesses realized that they have to look not only at the economic dimension of their companies, but also at its ecological and social impact to move towards sustainable development. The present research paper attempts to analyze several such aspects of the new CSR law, Why and how should companies contribute for social welfare and Country's Economic Development? What are the potential benefits of CSR to companies?

Keywords: Corporate social responsibility, Sustainable development goal, Philanthropy, social welfare.

1. INTRODUCTION:

According to William Clay Ford Jr. Chairman of the board and CEO of Ford Motor Company, “*There is difference between a good company and great company. A good company offers excellent products and services. A great company also offers excellent product and services but also strives to make the world a better place*”

In 21st century corporate social responsibility is a ubiquitous term in the world as of now it's not only about to earn more profit and sustain in the global market, but it's all about how to compete, with sustainable growth through CSR activities. It's no longer enough for businesses to simply buy and sell their products and services without considering the world in which they operate. Now it has become inevitable to achieve sustainable goal to survive in long run and to serve the society at large. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. So it is the responsibility of the companies to give something in return to society to contribute the overall development of economy. Corporate sustainability is based on three pillars: environmental, social and economic. Environmental and social pillars constitute the core of corporate social responsibility which goes beyond the legal requirements about environmental and social duties. Economic sustainability is prerequisites for any corporate firm. Most nations have directed their policies towards making business the engine of socio-economic development and, in response the private sector has generated unimaginable growth rates, wealth and profits. While the needs of society were traditionally part of the remit of the state, corporate power challenges and undermines this custodianship. Shifting responsibilities between the state, its citizens and the private sector raise important questions about who is responsible for what and for whom? Whether motivated benevolence, shared value creation, enlightened self-interest, capturing market share, image building, or a combination of these, the long term success and sustainability of firms is closely associated with the wellbeing and prosperity of the societies within which they are embedded as the long-term success and sustainability of societies is associated with the success of their economic activities.

2. OBJECTIVE:

1. To develop an understanding of concept of CSR.
2. To study the potential benefits of CSR to organizations.
3. To analyze the contribution of CSR in achieving sustainable development goal.
4. To study the challenges faced by CSR in India.

3. METHODOLOGY:

The research paper is an attempt of exploratory research. The data of this study is secondary data which have been collected from different sources such as official websites of department of Corporate Affairs ministry, Newspaper Articles, journals, Research Papers, media reports and Magazine Articles. The researcher has not used any statistical tools and techniques because it is not tried to establish any relationship between different variables rather through discussions and tried to see how our country has changed its policy for CSR over the period of time and what are the result of these policy to achieve sustainable growth.

4. REVIEW OF LITERATURE:

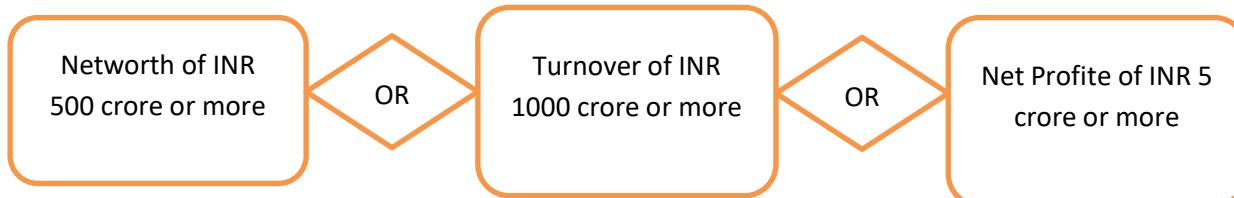
1. According to Geoffrey Heal suggested that CSR is an important part of corporate strategy in Sectors where inconsistencies arise between corporate profit and social goals, or discord can arise over fairness issues. There are number of social sectors where corporate can play a valuable role under CSR and can produce social goods for its society. According to him CSR Program can be profitable element for company strategy, reducing risk management, Generating brand equity, improving relations with regulators, lower cost of capital, improved human relation and employee productivity and to the maintenance of relationship that are important to long term profitability.
2. According to Anupam Sharma and Ravi Kiran, them CSR is emerging as a new field in the management research. In India, many firms have taken the initiatives of CSR practices which have met with varying needs of society. According to him number of IT and Auto industry is more going for taking up CSR initiatives while FMCG sector. Authors said that India has entered or taken a transformational change by involving into new CSR initiatives.
3. According to Kishor Neelakantan, the enactment of the company act 2013 will create a big regulatory push for CSR activities and this is mandatory for all company operating in India. So it is good for economic development but how Shareholders think about it while evaluating company? So according to author suggests that framework for investors to evaluate companies' CSR efforts which is based on four key parameters-Integrity, strategic orientation, efficiency and transparency.
4. According to Rahul Hakhu, a company should be forward looking to adopt in their corporate policy and take initiative for applying this in the business so that they can achieve competitive advantage, profitability in the light of liberalized world. He emphasizes that government want that corporation should be more responsible for the economic development of country and growth of CSR lead to transformation of agrarian economy to the path of industrialization. He suggested that CSR provides valuable information to companies of India and other stakeholders about the prospect of development, reputation.

5. DEFINITIONS:

- According to International Labour Organization “CSR as a way in which enterprises give consideration to the their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors.”
- According to World Bank “Corporate Social Responsibilities is commitments of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life in ways that are both good for business and good for development.”
- According to The World Business Council of Sustainable Development “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as local communities and society at large.”
- According to ISO 26000 “The Responsibility of an organization for the impact its Decision and activities on society and environment through transparent and ethical behavior.”

6. LEGAL FRAMEWORK OF CSR IN INDIA:

The formal and progressive attempts to formalize responsibilities of firms toward the Indian society and its citizens by the Government of India and to put the CSR issue in a concrete pose was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs. Thereafter successive steps were taken through guidelines on Social, Environmental and Economic Responsibilities of Business. The most ambitious attempt at mandated CSR activities for companies came with the enactment of Section 135 of the Companies Act 2013. It made CSR spending as well as reporting mandatory for the very first time in India and brought the CSR activities of Indian corporate under the purview of corporate law. Specifically, the provisions under Section 135 requires companies with



(i) to appoint a CSR Committee of at least 3 directors (one independent director), and (ii) under the guidance of the CSR Committee, spend 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. The committee is expected to formulate and recommend CSR policy, as well as oversee the implementation thereof. According to Schedule VII of the Act (see Table 1), the committee also must ensure that CSR activities give preference to the local area and areas around it where it operates. The list of activities in which firms are expected to invest are listed in Table 1.

Table 1. Schedule VII, List of corporate social responsibility activities proposed by government (amended 30 May 2019)

| | |
|--------|--|
| (i) | Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to Swach Bharat Kosh set-up by the Central Government for promotion of sanitation and making available safe drinking water; |
| (ii) | Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement project; |
| (iii) | Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, daycare centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups; |
| (iv) | Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of the river Ganga; |
| (v) | Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts; |
| (vi) | Measures for the benefit of armed forces veterans, war widows and their dependents; |
| (vii) | Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic Sports; |
| (viii) | Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; |
| (ix) | Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government; |
| (x) | Rural development projects; |
| (xi) | Slum area development; |
| (xii) | Disaster management, including relief, rehabilitation and reconstruction activities. |

7. CSR IN INDIA

7.1 Recent trend

Until now, if a company was unable to fully spend its CSR funds in a given year, it could carry the amount forward and spend it in the next fiscal, in addition to the money allotted for that year. The CSR amendments introduced under the Act now require companies to deposit the unspent CSR funds into a fund prescribed under Schedule VII of the Act within the end of the fiscal year. This amount must be utilized within three years from the date of transfer, failing which the fund must be deposited in to one of the specified funds.

The new law prescribes for a monetary penalty as well as imprisonment in case of non-compliance. The penalty ranges from INR 50000 (US \$700) to INR 25 lack (US \$35000) whereas the defaulting officer of the company may be liable to imprisonment for up to three years, or a fine up to INR 5 lakh (US \$7023), or both. The government, however, is reviewing these rules after the industry objected to the strict provisions, especially with respect to the jail terms for CSR violations, and is yet to operationalize them.

Since the applicability of mandatory CSR provision in 2014, CSR spending by corporate India has increased significantly. In 2018, companies spent 47 percent higher as compared to the amount in 2014-15, contributing INR 7,536 crores (US \$1 billion) to CSR initiatives, according to a survey. Listed companies in India spent INR 10,000 crore (US\$1.4 billion) in various programs ranging from educational programs, skill development, social welfare, healthcare and environmental conservation, while the Prime Minister's Relief Fund saw an increase of 139 percent in CSR contribution over last one year.

The education sector received the maximum funding (38 percent of the total) followed by hunger, poverty and healthcare (25 percent), environmental sustainability (12 percent), rural development (11 percent). Programs such as technology incubators, sports, armed forces, reducing inequalities saw negligible spends. Taking into account the recent amendments to CSR provisions, industry research estimates CSR compliance to improve and range between 97 to 98 percent by FY 2019-20.

Table - 2. Top 10 Indian Companies for Sustainability & CSR

| 2018 | 2019 |
|---------------------------------|----------------------------------|
| 1. Tata Chemicals | 1. Tata Chemicals |
| 2. Ambuja Cement | 2. Infosys Ltd. |
| 3. Infosys Ltd | 3. Bharat Petroleum Corporation |
| 4. Mahindra & Mahindra Ltd. | 4. Mahindra & Mahindra Ltd. |
| 5. Tata Motors Ltd. | 5. ITC Ltd. |
| 6. Tata Power Company Ltd. | 6. Ambuja Cement |
| 7. Bharat Petroleum Corporation | 7. Tata Motors Ltd. |
| 8. ITC Ltd. | 8. Vedanta Ltd |
| 9. Hindustan Zinc Ltd. | 9. Hindalco Industries Ltd |
| 10. Indian Oil Corporation | 10. Toyota Kirloskar Motor India |

Source: A study conducted by Futures cape

7.2 CSR Practices of Indian Companies:

Infosys Limited, an digital services and consulting conglomerate has spent Rs. 342 crore as against its prescribed CSR expenditure of Rs. 340 crore (2% of the net profit of Rs. 17, 018 crore) towards various schemes of Corporate Social Responsibility during the year 2018-19. The major works of the Foundation's works included the introduction of Aarohan Social Innovation Awards, restoration of water bodies in Karnataka, supporting the construction of a metro station in partnership with Bangalore Metro Rail Corporation Limited, enabling the pursuit of access and excellence in sports through the Go Sports Foundation and relief efforts in Tamil Nadu, Karnataka and Kerala.

Ultratech Cement, India's biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programs, education, infrastructure, environment, social welfare and sustainable livelihood. The company has organized medical camps, immunization programs, sanitization programs, school enrollment, plantation drives, water conservation programs, industrial training and organic farming programs.

Indian automobile manufacturer Mahindra & Mahindra primarily focuses on education programs to assist economically and socially disadvantaged communities. Its CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas., water conservation and disaster relief programs. M&M runs programs such as Nanhi Kali focusing on education for girls, Mahindra Pride Schools for industrial training and Lifeline Express for healthcare services in remote areas.

Maruti Suzuki India Limited has achieved yet another important milestone under its CSR program. The Company has successfully trained 15000 tribal youth in driving training, making them employable. These students were trained at its All Gujarat Institute of Driving, Technical Training and Research situated in Waghdia, Gujarat. Of the candidates trained, 70% have secured employment or have taken up the role of an entrepreneur. The achievement coincides with the institution completing 10 years of its inauguration.

Alignment to the UNSDG offers a global context to the company's sustainability initiatives and impact Tata Power, India's largest integrated utility, through the century has endeavored to achieve societal and economic development. Tata Power has a long tradition of working closely with and for the benefit of the local communities. Broadly, this is done by ensuring that the pursuit of economic objectives is also linked to larger social and sustainability concerns like climate impact, poverty, education, gender equality and others.

Some of the key UNSDGs that Tata Power support include:

1. Adhikaar, a social-economic and governance based initiative by Tata Power has tapped in to 14 national and state initiatives which has benefitted over 3.5 lakh community members in 15 states across the country;
2. Built 13,402 household toilets under its Mamta and Sammaan initiatives benefitting 4.7 lakh people across 4 states;
3. Over 16 lakh school children benefitted from Vidyasagar, a remedial and technology-based coaching for school children from 16 location in the country;
4. Dhaaga initiative that has created an ecosystem of garment and handicraft-based micro enterprises that supports 1050 women artisans in 13 states.
5. Act of Mahseer, a 4-decade long initiative to conserve fresh water fish while also creating livelihood for local communities.

Dholpur/Jhabua- Coca Cola's corporate social responsibility arm- Anandana- has collaborated with Lupin Human Welfare & Research Foundation and Rajputana Society of Natural History to set-up an integrated watershed were facing severe water crisis since a long time and were struggling to perform their daily chores like cooking, irrigation, feeding animals.

8. KEY DRIVERS OF CSR:

In the twenty first century, the drivers of CSR are well explained by various research organizations. KPMG conducted survey of key drivers of CSR in G250 companies. As per the survey, key drivers of CSR reporting of G250 companies' are

- Reputation and brand: 67%
- Ethical considerations: 59%
- Employee motivation: 44%
- Innovation and learning: 44%
- Risk management or risk reduction: 35%
- Access to capital or increased shareholder value: 32%
- Economic considerations: 32%
- Strengthened supplier relationship: 22%
- Market position improvement: 22%
- Improved relationship with Government authorities: 18%
- Cost saving: 10%

9. POTENTIAL BENEFITS OF CSR TO ORGANIZATIONS:

- Employee Attraction
- Employee Commitment
- Brand Differentiation
- Improving Financial Performance
- Sales Performance
- Reputation & Management

The suggested areas/ways for CSR: in order to achieve sustainable development goal companies are expected to adopt following practices for CSR.

- Capacity building
- Empowerment of communities
- Environment of protection
- Inclusive socio-economic growth
- Promotion of green & energy efficient technologies
- Development of backward regions
- Upliftment of marginalized and under privileged sections
- Adoption of villages and making them self-reliant
- Providing medical & sanitation facilities

- Preferential Treatment by Regulatory & Licensing Authority

10. CHALLENGES:

1. Lack of community participation in CSR activities
2. Issues of transparency
3. Non-availability of well-organized non-governmental organizations

11. CONCLUSION:

From the above study it is concluded that the Government has introduced CSR because they want corporations to become more responsible for its stockholders and society at large. Corporations are social entities so they must take care of all stakeholders, it is vital for them to take charge of this responsibility in an efficient way so that all participants of the corporation feel satisfied. Many large corporations are now taking steps to improve their environmental and social performance throughout the use of volunteer initiatives. The ultimate aim of business is to serve the society without surrounding our environmental and community life support system by providing safe, high-quality products and services that improve our wellbeing. So, business should clarify and reorient their purpose of business. Corporations are becoming increasingly aware of their role towards the society. Organizations in India have been sensible in taking up CSR initiative and integrating them into their business process. Still, there are certain challenges in CSR implementation. This is mainly due to the fact that there is little or no knowledge about CSR within the local communities since no sincere effort has been made to create awareness about CSR. Lack of transparency is another issue which needs focus but effective partnership between corporate, NGOs, communities, and the government will place India's social development on a faster track to achieve sustainable development goals for both firms and nations.

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