CSR- A BALANCE OF ECONOMICS, ENVIRONMENTAL AND SOCIAL IMPERATIVES

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ABSTRACT

This manuscript states that Section 135 of the recently implemented Indian Companies Act, 2013 made Corporate Social Responsibility (CSR) mandatory for a certain category of companies in India but a debate on pros and cons of mandatory CSR is still going on. The paper interprets CSR as “the commitment of business to abide by law and to operate in an ethical manner when it has the opportunity to do otherwise, with identification and exploitation of business opportunities which generate mutual benefits for business and society.” The paper further states various CSR activities of some companies which they have done with the motive of social, environmental, human rights and governance rights.

Keywords - CSR, Policy, Funding, Social benefits, Human rights, Work environment.

I. INTRODUCTION

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India’s freedom movement, and embedded in the idea of trusteeship.

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

II. DEFINITION

The EC1 defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”.

The WBCSD defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”
III. OBJECTIVES

1) To facilitate the development of a holistic and relevant CSR approach, and provide common strategic directions and plans for companies to achieve greater impact with their CSR initiatives.
2) Providing returns to society by providing jobs or showing responsibility in international, national and local communities.
3) Minimising any negative effects on the natural environment.
4) To define the conceptual framework in India.
5) Making a profit for shareholders.

IV. SCOPE

An Education.
- Support to Technical/Vocational Institutions for their self-development.
- Academic education by way of financial assistance to Primary, Middle and Higher Secondary Schools.
- Adult literacy amongst those belonging to BPL.
- Awareness Programs on girl education.
- Counseling of parents.
- Special attention on education, training and rehabilitation of mentally & physically challenged children/persons.
- Spreading legal awareness amongst people and disadvantageous sections of the society about their rights & remedies available.
- Promotion of Professional Education by setting up educational Institutions.
- Offering courses in Eng., Nursing, Management, Medicine and in Technical subjects etc.
- Provide fees for a period of one year or more to the poor and meritorious, preferably Girl students of the school in the operational area of the Company to enable them to get uninterrupted education.

Water Supply including Drinking Water:
- Installation/Repair of Hand Pumps/Tube Wells.
- Digging/Renovation of Wells.
- Gainful utilization of waste water from Under-ground Mines for Cultivation or any other purpose.
- AIDS TB and Leprosy.
- Social evils like alcohol, smoking, drug abuse etc.
- Child and Mother care Diet and Nutrition.
- Other purpose.

Development/construction of Water Tank/Ponds.
- Proper use of drinking water.
- Empowerment to the villagers for maintenance of the above facilities for availability of water.

Environment
- Organizing sensitizing programs on Environment Management and Pollution Control.
- Green belt Development.
- A forestation, Social Forestry, Check Dams, Park.
- Restoration of mined out lands.
- Development of jobs related to agro product i.e., Dairy/Poultry/farming and others. Plantation of saplings producing fruit.
- Animal care.

Social Empowerment.
- Self/Gainful Employment Opportunities – Training of Rural Youth for Self Employment (TRYSEM) on Welding, Fabrication, and other Electronic appliances. ii) To provide assistance to villagers having small patch of land to develop mushroom farming, medicinal plants, farming & other cash crops to make them economically dependent on their available land resources.
- Training may be provided by agricultural experts for above farming.
- Organizing training programmes for women on tailoring Embroidery designs.
• Home Foods/Fast Foods, Pickles, Painting and Interior Decoration and other
• Vocational Courses.
• Care for senior citizens.
• Adoption/construction of Hostels (especially those for SC/ST & girls)
• Village Electricity/Solar Light
• To develop infrastructural facilities for providing electricity through Solar Lights or
  Alternative renewal energy to the nearby villages. Recurring expenditure should be
  borne by the beneficiaries.
• Pawan Chakki as alternative for providing electricity in villages, etc.
Sports and Culture
• Promotion of Sports and Cultural Activities for participation in State and National level.
• Promotion/Development of sports activities in nearby villages by conducting Tournaments like Football,
  Kabaddi and Khokho, Cricket etc.
• Providing sports materials for Football, Volleyball, Hockey sticks etc. to the young and talented villagers.
• Promotion of State level teams.
• Sponsorship of State Sports events in Bihar.
• Sponsorship of Cultural event to restore Indian Cultural Traditions and Values. Corporate Social
  Responsibility Policy

V. FUNDING

1. As per the regulations the company will set aside, for annual CSR activities, an amount equal to 2% of
   the average net profits of the Company made during the three immediately preceding financial years. Any
   unutilized CSR allocation fund of a particular year, will be carried forward to the next financial year i.e. the
   CSR budget will be non-lapsable in nature.
2. The tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 as may be notified by
   the central board of direct taxes.

VI. SHIFT FROM THE PROFIT-MAKING OBJECTIVE

Milton Friedman, an economist, is the biggest critic of CSR. He says that CSR shifts the focus of the company
from the objective that made it a financial entity in the first place – profit-making. The company forgets about
its obligations towards its shareholders that they have to make profits for them. Instead of focusing on making
profits, they engage in CSR programs and use up funds for community welfare.
So basically, instead of an income, the company is effecting an outflow of cash and not fulfilling its profit-
making obligations.

VII. COMPANY REPUTATION TAKES A HIT

According to CSR policies, companies have to disclose shortcomings of even their own products if they are
found to violate the CSR program. For example, car manufacturing companies calling back their vehicles in
large numbers when they find glitches in the model after having sold them wallop their reputation.
This creates inconvenience to the customers, and they lose trust in the manufacturer.

VIII. CUSTOMER CONVICTION

Initially, customers like to see the companies that they trust are engaged in social welfare programs. They like
the fact that these programs are for a good cause. Later, they grow wary of it. If they don’t see instant results
from these programs, they think that these are nothing but PR stunts. So it becomes difficult to convince
customers that the results will take some time in coming and that they should continue believing in the good
intentions of the company. These attempts of convincing become fruitless day by day because some customers
are impatient and have a constant desire to be appeased.

IX. INCREASE IN COST OF PRODUCTION

More often than not, CSR programs increase the expenditure of the company. This increased expenditure is
reflected in the increased prices of the product for which, ultimately, the customers have to pay. Large
Corporations can absorb this increased expenditure. They may not increase their products’ prices, but small
businesses have no other option but to increase their products’ prices to meet their increased
expenses. Legislation and Provisions Related to CSR

Legislation and provisions imposed on organizations regarding CSR vary from one place to another. The value of CSR differs in various contexts, depending on the geographical location, environmental conditions, culture and most importantly legal framework imposed by the different countries. Here we discuss the influencing legal factors that affect an organization in three different geographical locations: Australia, UK and USA.

X. WORK ENVIRONMENTS CAN BE FRUSTRATING

From antiquated technology to bureaucratic red tape, working at a nonprofit can be downright exasperating. Employees are asked to do more work with fewer resources, create miracles on a daily basis, and satisfy competing interests. The pace of change is often slower than it is in a for-profit environment, given that so many opinions must be considered and the bottom line is not as clear. The level of burnout is high. Those who enter the non-profit workforce with a specific mission and goal in mind do so with great purpose. This great purpose often places a heavy weight on the shoulders of those doing the work.

The stakes are higher. A bad day in a corporate job is unlikely to resemble a bad day in a non-profit job. Consider the difference between losing a few percent off your stock price and losing a mentored young person to drugs. The stakes are simply higher when you are dealing with a cause close to your heart.

There is a constant focus on fundraising. Nonprofit executives wake up every morning and go to bed every night worrying about the location of their next fundraised dollar. This constant pressure leads to certain internal issues going unaddressed until a crisis emerges, takes the chief executive away from the office for long periods of time, and can lend itself to mission drift.

XI. LITERATURE REVIEW

Blowfield, M. (2005) found a critical approach to CSR not only requires us to ask how CSR affects company behavior in developing countries, but also to ask if, and how, business is affecting the meaning of development itself. The author argues in this article that business is indeed affecting development, and one of the ways this happens is by allowing business thinking to dominate the way we view the world and to become the norm against which everything else is tested for true and false value.

Chaudhary and Wang (2007) found that the number of companies with disclosures on internet is noticeably low in India in top 100 Information Technology companies. Though the study did not attest the lack of CSR activities but it certainly attested lack of proactive CSR communication, simply put the companies carried out CSR activities but did not disclose them properly.

Hossain and Reaz (2007) investigated the extent of voluntary disclosures by 38 listed banking companies in India. The empirical research concluded that the size and assets were the significant factors influencing disclosure whereas age, diversification, board composition and multiple exchange listing and complexity of business are not significant variables influencing social reporting practices of Indian banking companies.

Murthy (2008) examined the corporate social disclosure practices of the top 16 software firms in India. The 2003–2004 annual reports were analyzed using content analysis and it was found that the human resources was the most frequently reported followed by community development activities and the environmental activities was the least reported. Most of the information was qualitative and was disclosed in the „other” sections of the annual report. Some firms had separate sections for each category while many others disclosed their social practices in the introductory pages of the annual report. The researcher suggested that shortage of skilled labor in the software sector might have lead to social disclosure (CSD) practices in the human resources. Firms seemed to have engaged in community development activities without expecting changes to their economic performance and the CSD of community activities seemed to be shaped by the expectations of the society.

Jatana and Crowther (2008) edited book named “Corporate social responsibility – theory and practice with case studies” has shed light on myths of Corporate social responsibility, value addition, Globalization perspectives on corporate governance whistle blowing policies as corporate social responsibility and other contemporary issues in corporate social responsibility. In addition, it dealt with various case studies related to various industrial sectors insurance, private banking, SMEs, Information Technology, power generation sectors and companies like Abuja cements, Coca-Cola. In all these articles details of current projects pursed by companies has given but the CSR&D has not been measured as such. Plankenet al (2010) investigated CSR platforms and the communication surrounding those platforms in India and established that the CSR platforms are typically used, together with stakeholder attitudes to both the form and content of those platforms. The authors presented the fact that the selected Indian corporations pursued a primarily philanthropic platform with a focus on community development projects, as predicted by previous studies. It also indicated, however, that Indian consumers may not value philanthropic CSR as highly as other CSR initiatives.
XII. METHODOLOGY

The prepared paper is a descriptive study in nature. The secondary data and information have been analyzed for preparing the paper extensively. The secondary information have been collected from different scholars’ and researchers’ published books, articles published in different journals, periodicals, conference paper, working paper and websites.

XIII. CURRENT STATE OF CSR IN INDIA

CSR is not a new concept in India. Ever since their inception, corporate 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 corporate 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.

Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

XIV. CSR BY VARIOUS COMPANIES

Reliance Industries Limited

The Reliance Group, founded by Dhirubhai H. Ambani (1932-2002), is India's largest private sector enterprise, with businesses in the energy and materials value chain. Reliance Industries Limited, is a Fortune Global 500 company and is the largest private sector company in India.

The Group's activities span exploration and production of oil and gas, petroleum refining and marketing, petrochemicals (polyester, fiber intermediates, plastics and chemicals), textiles, retail, infotel and special economic zones. Reliance enjoys global leadership in its businesses, being the largest polyester yarn and fibre producer in the world and among the top five to ten producers in the world in major petrochemical products. India's largest private sector enterprise Reliance Industries BSE -0.68 % has spent over Rs 700 crore of its net profit on corporate social responsibility last fiscal and significant sums went into healthcare and initiatives.

According to the FY14 annual report, Reliance's CSR spend carried out through Reliance Foundation -- stood at 3.24 per cent of its net profit, which is amongst the high. While 59 per cent of the Rs 712-crore sum was spent on healthcare of the beneficiary population, 23 per cent were utilised for rural development, 11 per cent on education under which it sponsors education. The new Companies Act, enacted last fiscal, mandates every company with a net worth of Rs 100 crore to set aside minimum 2 per cent of their three-year average annual.

RIL carries out its CSR activities through Reliance Foundation, headed by chairman Mukesh Ambani's wife Nita, while executive director Nikhil Meswani.

CSR and the Mahindra Group

Mahindra group has always gone beyond legal and statutory requirements to make responsible investments in the community. Over the past few years, Mahindra group has focused its CSR efforts in a number of areas, notably, but not limited to:

- Scholarships and grants
- Nanhi Kali
- Mahindra Pride Schools
- Lifeline Express
- Project Hariyali
- Watershed management
- Disaster relief and rehabilitation

In keeping with the group’s RISE philosophy, the Company commits itself to driving positive change to enable people and communities to RISE above their limiting circumstances.

Classmate Stationery
Classmate is an Indian brand of student stationery products. ITC Limited (formerly Indian Tobacco Company) launched its Classmate brand in 2003 with the notebooks category. Subsequently, the Company added new products to its portfolio, including pens, pencils, mechanical pencils and geometry boxes. Classmate has 900 distributors who make the products available in over 70,000 outlets in India.

XV. CONCLUSION

Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a responsible manner. “Ethically or responsible” means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside – thenatural environment is a stakeholder for example. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the Corporation, for peoples both within and outside the corporation. Successful CSR initiatives take organisations beyond compliance with legislation and leads them to honour ethical values and respect people, communities and the natural environment. CSR is sustainable - involving activities that your organisation can maintain without adversely affecting your business goals. CSR is about more than environmental responsibility or having a recycling policy. CSR is about considering the whole picture, from your internal processes to your clients, taking in every step that your business takes during day-to-day operations.

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