

## CORPORATE SOCIAL RESPONSIBILITY: A STUDY ON CSR PRACTICES OF SELECT INDIAN COMPANIES

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### Abstract

As per New Company Law, 2012 all companies must contribute 2% of their net profits towards CSR which made Indian companies to consciously work towards CSR, as it is required a prescribed class of companies to spend a portion of their profits on CSR activities. As the companies begin their operations in the society, for the society and from different resources provided by the society, it becomes critical for them to give something in return to the society. CSR has become a fundamental business practice and has gained much attention from the management of large international companies. It facilitates the alignment of business operations with social values. CSR is deemed as a point of convergence of various initiatives aimed at ensuring socio-economic development of the community. As we know, today Indian corporates go beyond Philanthropy (Charity) concept and it's more concentrate on all the stakeholders. This research paper attempts analyze the Corporate Social Responsibility practices followed by corporates operating in India. This paper will help the researchers and scholars in identifying the best CSR practices and to do further studies on what is best for India and what India really needs as CSR from the corporate. This paper further seeks to identify the failures of companies in meeting the expectations of the society and helps to provide some suggestions to improve the CSR practices to better serve the society and the country on the loose.

**Keywords:** Corporate Social Responsibility, Philanthropy, Companies Act 2013, Society

### INTRODUCTION

Corporate social responsibility (CSR) is a self-regulating business model that helps a company to be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. Corporate social responsibility means to do useful for the society and to contribute in the balanced development of the society by giving enough services to the stakeholders, for example, employees, customers, shareholders, suppliers, general open etc. Corporate social responsibility (CSR) is the manner by which companies manage their business processes to produce an overall positive effect on society. It covers manageability, social effect and ethics followed for operating in the society. The stakeholders covered under CSR are:

- Customers
- Suppliers
- Employees
- Business partners
- Shareholders/Investors
- Government

Corporate social responsibility is defined as “the ethical behavior of companies towards the society”, patent itself in the form of such noble programs initiated by for-profit organizations. CSR has become increasingly important in the Indian Corporate Scenario because organizations have apprehended that besides growing their business it is also essential to build dependable and sustainable relationship with the community at large. This is one of the key drivers of CSR programs.

### OBJECTIVES OF THE STUDY

1. To know the concept of CSR
2. To know the new CSR provisions given in Companies Act, 2013.
3. To analyze the CSR initiatives of some of the companies in India.

### RESEARCH METHODOLOGY

The data required for this study is secondary data which have been collected from different sources such as official websites like department of Corporate Affair ministry, Newspaper Articles, journals, Research Papers, media reports and Magazine Articles.

### REVIEW OF LITERATURE

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. The author suggested that framework for investors to evaluate companies' CSR efforts which is based on four key parameters- Integrity, strategic orientation, efficiency and transparency.

Praveen Kumar (2013) in his article on "Corporate Social Responsibility in India" has talked about the present scenario of CSR in India and the challenges available in Context of India.

Dr. M. Ramana Kumar (2013) in his study on Analysis of select Indian Private and Public sector companies tried to analyze the CSR activities carried out by Indian Private (Reliance Industries Ltd.) and public sector companies (ONGC) and also studied the Indian government policies and programmes of CSR. The study revealed that though the Indian public and private firms are making efforts in the CSR areas, still there is a requirement of more emphasis on CSR.

Bibhu Prasad and Mohanty (2012) made a study on “Sustainable Development Vis-à-vis Actual CSR”. The findings of their study showed that companies today invests in a lot of areas like child labour, ground water, food, education, etc but they are not aware of the essential need of the poor. The study suggested that though profit earning is a natural fact of companies, CSR is beyond the natural and statutory obligation of the companies. The study concluded that sustainable development is the development of the society as well as the company in a balanced way.

Harbajan Bansal, Vinu Parida and Pankaj Kumar (2012) in their paper entitled “Emerging trends of CSR in India” analyzed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. The study concluded that the companies today are working not only to earn profit but have also realized the importance of being social friendly. Social Responsibility today has started taking a turn in the new direction.

Harish Kumar (2012) in his research article entitled “CSR Revisited” has thrown lights on four different approaches of companies towards CSR viz; Good Governance, Ruinous CSR, Discretionary CSR, and Illusion CSR. He also tried to highlight argument against the CSR as well as the CSR driver. The researcher also found eight factors that drive the CSR initiatives. They are Philanthropic Attitude, Governmental Actions, Environmental Concern, Ethical Consumerism,

Crises and Calamities, Globalization and Market force, Social Awareness & Education, and Social Expectation.

Beam, Dr. Sarbpriya et.al. (2012) in their research paper on "A Close Look into Corporate Social Responsibility in India" has focused on the theme of CSR developed amid most recent couple of years from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. In this paper, they have tried to feature objective evaluation of the CSR and related business practices with ethics that are being adopted by large corporate houses in India.

Mallen Baker (2012) in his article on "Four emerging trends in Corporate Responsibility" tried to elucidate three basic things about the trends of CSR that have changed from last so many years. Firstly, the relationship between business and society has changed. They have come closer because of the social and environmental problem prevailing around the world. Secondly, the strategy of the businessman to develop business also affected the society a lot. Their new ideas, concept, developments also came with CSR management that reflects in their product and services. Lastly, the changes of CSR are also affected by other parties like outside agencies and the firm's own goals that interfere the firm's activity.

#### **EVOLUTION OF CSR IN INDIA**

India has the world's flourishing convention of Corporate Social Responsibility (CSR). The term CSR may be relatively new to India, but the concept dates back to Mauryan history, where philosophers like Chanakya, emphasized on ethical practices and principles while conducting business. CSR has been informally practiced in ancient times in form of charity to the poor and disadvantaged class of the society. Indian scriptures have at several places mentioned the importance of sharing one's earning with the deprived section of society. We have a deep rooted culture of sharing and caring.

Religion also played a major role in promoting the concept of CSR. Merchants belonging to Hindu religion gave alms, got temples and night shelters made for the poorer class. Hindus followed Dharmada where the manufacturer or seller charged a specific amount from the purchaser, which was used for charity. The amount was known as charity amount or Dharmada. In the same fashion, Sikhs followed Daashaant. Islam had a law called Zakaat, which rules that a portion of one's earning must be shared with the poor in form of donations.

#### **The evolution of CSR in India can be broadly divided into four phases:**

The first phase of CSR was motivated by noble deeds of philanthropists and charity. It was influenced by family values, traditions, culture and religion along with industrialization. Till 1850, the wealthy businessmen shared their reserves with the society by either setting up temples or religious institutions. In 1900s, the industrialist families like Tatas, Birlas, Modis, Godrej, Bajajs and Singhanias and others promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development.

The second phase was the period of independence struggle when the industrialists were rushed to show their dedication towards the benefit of the society. Mahatma Gandhi pushes for to the powerful industrialists to share their wealth for the benefit of underprivileged section of the society.

In the third phase from 1960-1980, CSR was influenced by the emergence of Public sector entities to ensure proper distribution of wealth in the country. The policy of industrial licensing,

high taxes and restrictions on the private sector resulted in corporate misconducts. This led to endorsement of legislation regarding corporate governance, labor and environmental issues.

In the fourth phase from 1980 onwards, Indian corporate entities integrated CSR into a sustainable business strategy. With globalization and economic liberalization in 1990s, and withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the bigger thrust in industrial growth, making it possible for the companies to contribute more towards social responsibility.

Today, in India CSR has gone beyond merely charity and donations, and is approached in a more structured approach. It has become a central part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set budget to support them.

**PHASES OF EVOLUTION OF CSR IN INDIA**

PHASE 1	PHASE 2	PHASE 3	PHASE 4
Purely philanthropy and charity during industrialization. Companies were only responsible to owners and managers	CSR as social development during the Independence struggle. Companies were only responsible to owners, managers and employees.	CSR under the “mixed economy model” and companies were responsible to owners, managers and other target environments.	CSR became characterized as a sustainable business strategy. Companies are responsible not only to owners but all the stakeholders.

**CSR PROVISIONS IN COMPANIES ACT, 2013**

Under the Companies Act, 2013, that replaces the nearly six-decade old legislation governing the way corporate function and are regulated in India, profitable companies with a sizeable business would have to spend every year at least 2% of three-year average profit on CSR works. The provisions of CSR will be applicable for every organization that has any one of the following in any financial year:

1. Having net worth of rupees five hundred crore or more, or
2. Having turnover of rupees one thousand crore or more, or
3. Having a net benefit of rupees five crore or more.

Every company with net worth of Rs 500 crore or more, or turnover of Rs 1,000 crore or more or a net profit of Rs 5 crore or more during any financial year to constitute a CSR Committee of the Board consisting of three or more directors, of which at least one director shall be an independent director. The Board’s report to disclose the composition of the CSR Committee.

The main functions of the CSR Committee are:

1. Formulate and recommend to the board, a CSR policy indicating the activity or activities to be undertaken by the company as specified in Schedule VII of the Act.
2. Recommend the amount to be spent on these activities.
3. Monitor the company's CSR policy periodically.

Schedule VII of the Companies Act, 2013 prescribes activities that may be included by companies in their CSR policies:

1. Eradicating extreme hunger and poverty;
2. Promotion of education;

3. Promoting gender equality and empowering women
4. Reducing child mortality and improving maternal health;
5. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. Slum area developmental activities
10. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
11. Other matters as may be prescribed.

## CSR PRACTICES IN INDIA: SOME EXAMPLES OF CORPORATIONS IN 2019-20

### 1. Infosys Limited

Mrs. Sudha Murthy, Chairperson, Infosys Foundation, the CSR arm of IT services conglomerate Infosys says “CSR can’t be merely a job, it’s a passion,”. The company spent nearly Rs. 360 crore towards various CSR schemes for the financial year 2019-20. COVID-19 relief work dominated the activities, with education and health-related programmes following after.

Among the main CSR initiatives in the financial year 2019-20 were a 100-bed quarantine setup in Bengaluru in partnership with Narayana Health City, and another one which had 182 beds for COVID-19 patients for Bowring and Lady Curzon Medical College & Research Institute.

The major projects includes ‘Improved Cook stove Project’, Bio-gas Project, Rejuvenation of lake, Relief to martyr’s families, High standards of education for the underprivileged, Winner’s symposium, Promoting Education etc. Infosys Foundation primarily works with non-governmental organizations as the nodal agency for implementing projects. Highlights of the Foundation’s interventions in the past include the introduction of Aarohan Social Innovation Awards, restoration of water bodies in Karnataka, enabling the pursuit of access and excellence in sports through the Go Sports Foundation, and disaster relief efforts in Tamil Nadu, Karnataka and Kerala.

### 2. Mahindra & Mahindra Ltd.

The Company is always dedicated towards CSR activities and has spent more than the prescribed CSR budget in last five financial years. The company has spent Rs. 126.60 Cr for the CSR activities during the financial year 2019-20 (The prescribed amount was Rs.105.56 Cr.).

The major projects undertaken by the company during the financial year 2019-20 were: Integrated Watershed Management Program (Rs. 2.29 Cr.), Project Hariyali (Rs. 5.99 Cr), Environmental Sustainability Project (Rs. 0.03 Cr), Green Guardians (Rs. 3.30 Cr), Nature Guardian Program (Rs. 0.01 Cr), Environment Sustainability Initiatives (Rs. 2.00 Cr), Project Prerna (Rs. 6.39 Cr) etc.

### 3. Tata Chemicals Ltd.

Although the prescribed CSR for the financial year 2019-2020 was Rs. 21.39 Crores, the company has spent RS. 37.81 crores on community development projects. Improving the quality

of life and fostering sustainable and integrated development in the communities where it operates is central to Tata Chemicals' corporate philosophy. In order to do so Tata Chemicals established Tata Chemicals Society for Rural Development (TCSRSD) in 1980 as a society and trust. The principle aim and objective as written in the memorandum of association, of which Tata Chemicals is a principle promoter is to undertake, carry out, promote, sponsor, assist or aid directly or in other manner, any activity for:

- The promotion and growth of rural economy.
- Rural welfare.
- Activities relating to environmental protection.
- Conservation of natural resources.
- Creating and developing facilities for public education.
- Fostering conservation and research in the field of natural history.

The company has undertaken many of the projects and programs under CSR activities for the financial year 2019-20. The major projects are: Environment Integrity Ensurance Program, Skills & Education Promotion, Social, Economic & Environmental Development and Non-Farm Based Livelihood Program.

#### **4. ITC Ltd.**

The Company is always committed towards CSR activities and has spent more than the prescribed CSR budget in last three financial years. The company has spent Rs. 326.49 Cr on CSR activities during the financial year 2019-20.

This conglomerate company is contributing to rural development in a big way. ITC Choupal is a long-running flagship CSR programme by the company that has become the gold standard on community development in international circles. Not only has ITC Choupal impacted lakhs of farmers over the years through digital literacy and economic empowerment, it has also been replicated by scores of other corporates for social welfare in their own communities.

The conglomerate has active social projects in education, environmental conservation, sustainable agriculture, healthcare, digital literacy, sports and culture, disaster relief activities, social forestry programme, women empowerment etc.

#### **5. Vedanta Ltd.**

Although the company incurred loss in the financial year 2019-20, it has spent Rs. 50.28 Cr for CSR activities in that year. The company undertakes the CSR activities under the banner of Vedanata Foundation which was established on 15<sup>th</sup> September, 1992. Vedanta Limited is mainly focusing on agriculture and rural development but also has a host of CSR initiatives focusing on themes such as water, energy and carbon management. The company has undertaken some of the important projects such as Education Promotion (Rs. 2.88 Cr.), Jeevan Amrit Project (Rs. 1.06 Cr.), Project Impact & Research (Rs. 1.27 Cr.), Skill Development Program (Rs. 2.98 Cr.) and many more.

#### **6. Wipro Ltd.**

Wipro has spent more than the prescribed CSR budget in the last three financial years. It has spent Rs. 181.80 Cr actually against prescribed amount of Rs. 166.90 Cr during the financial year 2019-20. Wipro Cares is a not-for-profit trust is one of the major channels of the company that engages with underprivileged community in proximity across education, primary healthcare

and ecology. In addition, the trust also works on long-term rehabilitation of affected communities after natural disasters. The focus areas and the scope of work are:

**Education for underprivileged children:** Support direct way access to educational opportunities for underprivileged children.

**Education for Children with disability:** Supports the educational and rehabilitative needs of underprivileged children with disabilities.

**Primary healthcare:** Work with partners in the delivery of good quality health care services to underprivileged communities around our locations and in remote underserved areas where health care access has been weak or non-existent till now. Also build the capacity of local community in managing their health needs, of augmenting government infrastructure and in training health workers to address the unique needs of the communities.

**Community ecology:** Work on Environment projects that have direct benefit for underprivileged communities. Our projects span across the following areas (a) Waste Management (b) Agro forestry (c) Water conservation and (d) Biodiversity parks

**Disaster Rehabilitation:** Work on long term rehabilitation of the affected communities after a natural disaster

## SUGGESTIONS

- Companies need to look into the remote areas of the society for their CSR activities where the Government is unable to reach and help the community
- Healthcare is the prime issue for rural India. They have suffered a lot in the pandemic. So the corporate need to think in that sector to provide medical and health care facilities to the rural India through their CSR activities.
- Education is losing its integrity in India because of benefit motives by associations and management of different private organizations. Hence, Indian companies need to focus on imparting quality education to rural sector of the nation by adopting Government schools.
- There is a need of quality education with pragmatic orientation in rural areas at affordable fees for the needy people.
- Indian companies need to support and promote “Swachh Bharat Abhiyan” through their CSR activities to accelerate its pace of development for a healthy environment in India.
- Government incentives have to be provided to the companies contributing more to CSR programs.

## CONCLUSION

From the above study it is accomplished that the Government has initiated CSR because it wants companies to become more accountable for its stockholders and society at large as they are social entities. Many large corporations are now taking steps to improve their environmental and social performance through the use of volunteer initiatives. The ultimate aim of any business is to cater the society without harming our environmental and community life support system by providing safe and high quality products and services that improve for the welfare of society.

So, a business should elucidate and reorient its purpose to help and support the society. Finally, it is advised that, Indian corporations divert their CSR efforts towards the present need of the society.

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