Corporate Social Responsibility [CSR] practices in corporate houses of India

KEYWORDS

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ABSTRACT *Corporate Social Responsibility (CSR) is the name given to the help given by the businesses to the governments in making this world a better place. The companies can do their share of good by first starting with ethical corporate governance. Then they can step up to launch various community service drives or camps for empowering the society. CSR in India is in a very nascent stage. It is still one of the least understood initiatives in the Indian development sector. It is followed by a handful of public companies as dictated by the very basis of their existence, and by a few private companies, with international shareholding as this is the practice followed by them in their respective foreign country. CSR is not a new concept in India. Ever since their inception, corporate houses 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*

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Today amidst the increasing prosperity and wealth of nations, the question of the great divide is the biggest concern for countries all over the world. The increasing gap between the rich and the poor is giving sleepless nights to many governments world over. Even though the governments of most of the nations of the world are trying their level best to overcome the issues of poverty, unemployment, malnourishment, low standard of living etc. in their countries, the question is, are they successful?

Judging from the present scenario it is obvious that the governments have met with limited success. Hence, there is a great need for the corporate world to step in and lend a helping hand in the effort.

Legislative aspect of CSR in India

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director.

Around Rs 22,000 crore is expected to gush into the social sector from the next financial year onwards as Indian companies ramp up CSR spends in keeping with provisions under the Companies Act, 2013.

The draft rules (as of September 2013) provide a number of clarifications and while these are awaiting public comment before notification, some the highlights are as follows:
- Surplus arising out of CSR activities will have to be re-invested into CSR initiatives, and this will be over and above the 2% figure
- The company can implement its CSR activities through the following methods: -- Directly on its own
-- Through its own non-profit foundation set- up so as to facilitate this initiative
-- Through independently registered non-profit organisations that have a record of at least three years in similar such related activities
-- Collaborating or pooling their resources with other companies
- Only CSR activities undertaken in India will be taken into consideration
- Activities meant exclusively for employees and their families will not qualify
- A format for the board report on CSR has been provided which includes amongst others, activity-wise , reasons for spends under 2% of the average net profits of the previous three years and a responsibility statement that the CSR policy, implementation and monitoring process is in compliance with the CSR objectives, in letter and in spirit. This has to be signed by either the CEO, or the MD or a director of the company.

CSR activities shall include eradication of hunger and poverty, promotion of education, promoting gender equality and women empowerment, reducing child mortality and improving maternal health, combating human immunodeficiency virus (HIV), acquired immune deficiency syndrome (AIDS), malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund.

CSR Practices in India

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

Ideal Corporate Houses practicing CSR in India

Tata Group

Tata Group in India has a range of CSR projects, most of which are community improvement programs. For example, it is a leading provider of maternal and child health services, family planning, and has provided 98 percent immunization in Jamshedpur. The company also endorses sports as a way of life. It has established a football academy, archery academy, and promotes sports among employees. It offers healthcare services all over the country with programs like rural health development.

Tata Group also has an organized relief program in case of natural disasters, including long-term treatment and re-building efforts. It did laudable work during the Gujarat earthquakes and Orissa floods. It also supports education, with over 500 schools, and also is a benefactor of the arts and culture. It has done abundant work in improving the environment and local populations around its industries.

Aptech

Aptech a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country since its inception. As a global player with complete solutions-providing capabilities, Aptech has a long history of participating in community activities. It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps.

Infosys

Infosys is aggressively involved in a variety of community growth programs. In 1996, the company created the Infosys Foundation as a not-for-profit trust to which it contributes up to 1 percent of profits after tax every year. Moreover, the Education and Research Department at Infosys also works with employee volunteers on community development projects.

The management team at Infosys continues to set examples in the area of corporate citizenship and has involved itself vigorously in key national bodies. They have taken initiatives to work in the areas of research and education, community service, rural outreach programs, employment, healthcare for the poor, education, arts and culture, and welfare activities undertaken by the Infosys Foundation.

Mahindra & Mahindra

At Mahindra & Mahindra, The K. C. Mahindra Education Trust was established in 1953 with the purpose of promoting education. Its vision is to renovate the lives of people in India through education and financial assistance across age groups and across income strata. The K. C. Mahindra Education Trust undertakes a number of education plans, which make a difference to the lives of worthy students. The Trust has provided more than Rs. 7.5 crore in the form of grants, scholarships and loans. It promotes education mostly by the way of scholarships. The Nanhi Kali (children) project has over 3,300 children under it and the company aims to increase the number to 10,000 in the next two years by reaching out to the underprivileged children, especially in rural areas.

Methodology of Corporate Social Responsibility

CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business:

- Customers
- Suppliers
- Environment
- Communities
- Employees

Triumphant CSR plans take organizations ahead of compliance with legislation and lead them to respect moral values and respect people, communities and the natural environment. Corporate social responsibility is sustainable – involving activities that an organization can uphold without negatively affecting the business goals.

CSR is not only about ecological accountability or having a recycling policy. It is about considering the whole representation of the company, from internal processes to your clients, taking in every step that a business takes during day-to-day operations. Rising economies such as India have also observed a number of companies enthusiastically engaged in CSR activities.

Organizations in India have been quite sensible in taking up CSR initiatives and integrating them in their business processes. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large. Companies now have specific departments and teams that develop specific policies, strategies and goals for their CSR programs and set separate budgets to support them. Most of the time, these programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain.

Conclusion

Lastly, a stable society is a precondition for stable economic activity, and therefore a company being a member of the society is required to contribute to this. It is essential to not adopt a cynical approach towards mandatory CSR as part of Companies Act 2013. It's a baby step towards something much bigger which still needs improvements and thus, mandatory CSR is the need of the hour. Interestingly, one report points out that Indian listed companies had a combined net profit of Rs 4,37,167 crore last year. At 2 per cent, this will yield slightly less than $2 billion a year as the CSR kitty of India Inc., and such a large sum generated every year could solve many of the country's social and environmental issues. Therefore, corporate social responsibility is the way forward for the corporate sector to realise-"With great economic power, comes great responsibility."

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