

Corporate Social Responsibility(CSR)

Evolution Of CSR In India

India has the world's richest tradition 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 Kautilya 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. 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. 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. 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.

Here, we can understand that the history of CSR in India runs parallel to the historical development of India. CSR has evolved in phases like community engagement, socially responsible production, and socially responsible employee relations. Therefore, the history of Corporate Social responsibility in India can be broadly divided into four phases:

The first phase of CSR was driven 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 riches with the society by either setting up temples or religious institutions. In times of famines, they opened their granaries for the poor and hungry. The approach towards CSR changed with the arrival of colonial rule in 1850. In the Pre-independence era, the pioneers or propagators of industrialization also supported the concept of CSR. In 1900s, the industrialist families like Tatas, Birlas, Modis, Godrej, Bajajs and Singhanias promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. It may also be interesting to note that their efforts for social benefit were also driven by political motives.

The second phase was the period of independence struggle when the industrialists were pressurized to show their dedication towards the benefit of the society. Mahatma Gandhi urged to the powerful industrialists to share their wealth for the benefit of underprivileged section of the society. He gave the concept of trusteeship. This concept of trusteeship helped in the socio-economic growth of India. Gandhi regarded the Indian companies and industries as "Temples of Modern India". He influenced the industrialists and business houses to build trusts for colleges, research and training institutes. These trusts also worked to enhance social reforms like rural development, women empowerment and education. In the third phase from 1960-1980, CSR was influenced by the emergence of Public sector undertakings to ensure proper distribution of wealth. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. This led to enactment of legislation regarding corporate governance, labor and environmental issues. Still the PSUs were not very successful. Therefore there was a natural shift of expectation from the public to the private sector and their active involvement in the socio-economic growth. In 1965, the academicians, politicians and businessmen set up a national workshop on CSR, where great stress was laid on social accountability and transparency.

In the fourth phase from 1980 onwards, Indian companies integrated CSR into a sustainable business strategy. With globalization and economic liberalization in 1990s, and partial withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the increased momentum in industrial growth, making it possible for the companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

In the current scenario in India, the new companies act amended in December 2012 mandates the corporate to spend 2% of their average net profits of the last three financial years towards CSR. This is applicable for companies with a turnover of 1000 Cr/ PAT of 5 Cr/ or net worth of 500 cr. The new bill replaces the Companies act 1956 and emphasizes carrying forward the agenda of Corporate Social Responsibility.

Government Policies on CSR

Corporate Social Responsibility (CSR) is a concept whereby companies not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, environment, consumers, employees, communities, and all other members of the public sphere. The basic premise is that when the corporations get bigger in size, apart from the economic responsibility of earning profits, there are many other responsibilities attached to them which are more of non-financial/social in nature. These are the expectations of the society from these corporate to give something in return to the society with whose explicit or implicit help these entities stand where CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

Corporate Social Responsibility is nothing but what an organisation does, to positively influence the society in which it exists. It could take the form of community relationship, volunteer assistance programmes, special scholarships, preservation of cultural heritage and beautification of cities.

The term Corporate Social responsibility refers to the concept of business being accountable for how it manages the impact of its processes on stakeholders and takes responsibility for producing a positive effect on society.

Why CSR at All?

Business cannot exist in isolation; business cannot be oblivious to societal development. The social responsibility of business can be integrated into the business purpose so as to build a positive synergy between the two.

1. CSR creates a favourable public image, which attracts customers. Reputation or brand equity of the products of a company which understands and demonstrates its social responsibilities is very high. Customers trust the products of such a company and are willing to pay a premium on its products. Organizations that perform well with regard to CSR can build reputation, while those that perform poorly can damage brand and company value when exposed. Brand equity, is founded on values such as trust, credibility, reliability, quality and consistency.

2. Corporate Social Responsibility (CSR) activities have its advantages. It builds up a positive image encouraging social involvement of employees, which in turn develops a sense of loyalty towards the organization, helping in creating a dedicated workforce proud of its company. Employees like to contribute to the cause of creating a better society. Employees become champions of a company for which they are proud to work.

3. Society gains through better neighbourhoods and employment opportunities, while the organization benefits from a better community, which is the main source of its workforce and the consumer of its products.

4. Public needs have changed leading to changed expectations from consumers. The industry/ business owes its very existence to society and has to respond to needs of the society.

5. The company's social involvement discourages excessive regulation or intervention from the Government or statutory bodies, and hence gives greater freedom and flexibility in decision-making.

6. The internal activities of the organisation have an impact on the external environment, since the society is an interdependent system.

7. A business organization has a great deal of power and money, entrusted upon it by the society and should be accompanied by an equal amount of responsibility. In other words, there should be a balance between the authority and responsibility.

8. The good public image secured by one organization by their social responsiveness encourages other organizations in the neighbourhood or in the professional group to adapt themselves to achieve their social responsiveness.
9. The atmosphere of social responsiveness encourages co-operative attitude between groups of companies. One company can advise or solve social problems that other organizations could not solve.
10. Companies can better address the grievances of its employees and create employment opportunities for the unemployed.
11. A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur.
12. Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management.
13. In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation.

The Corporate Social Responsibility Voluntary Guidelines issued by the MCA in December 2009 was the first step towards mainstreaming the concept of Business Responsibilities. Through these Guidelines, the Ministry urged the business sector to adopt the principles contained in the Guidelines for responsible business practices. The document also said that “after considering the experience of the adoption of these Guidelines by the Indian corporate sector and consideration of relevant feedback and other related issues, the Government may initiate the exercise for review of these Guidelines and further improvement after one year.

CORPORATE SOCIAL RESPONSIBILITY UNDER THE COMPANIES ACT, 2013

The Companies Act, 2013 has introduced the concept of Corporate Social Responsibility in India to the forefront. It aims to promote greater transparency and disclosure. The Ministry of Corporate Affairs notified Section

135 and Schedule VII of the Companies Act 2013 as well as the Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into effect from April 1, 2014. The MCA further issued Circular No. 21/2014 and 36/2014 to clarify on certain matters. Notification making further amendments in Schedule VII was issued on August 2014 and Companies (Corporate Social Responsibility Policy).

Amendment Rules, 2015 were released on January 2015. The provisions of the Act and the Rules amended till July 2015 are given below-

Definition of CSR

The term 'CSR' is defined in the Companies (Corporate Social Responsibility Policy) Rules to mean and include but not limited to:

- projects or programs relating to activities specified in the Schedule VII of the Act; or
- projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule VII of the Act.

Corporate Social Reporting: [mandatory Disclosure Requirements]

It is mandatory for companies to disclose in Board's Report, an annual report on CSR. The report of the Board of Directors attached to the financial statements of the Company would also need to include an annual report on the CSR activities of the company in the format prescribed containing following particulars –

- A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
- The Composition of the CSR Committee.
- Average net profit of the company for last three financial years
- Prescribed CSR Expenditure
- Details of CSR spent during the financial year.
- In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.
- A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company. If the company has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report. If a company has a website, the CSR policy and the report containing details of such activities have to be made available on the company's website for informational purposes.

Tata Steel [TISCO] – A company that also makes steel

Tata Steel's Vision strikes a balance between economic value as well as ecological and societal value by aspiring to be "a Global Benchmark in Value Creation and Corporate Citizenship". In the initial years, Tata Steel's CSR interventions were more as a 'provider' to society where the community was given support for its

Overall needs, both for sustenance and development. Gradually, the shift in approach led to Tata Steel being an 'enabler' focusing on building community capacity through training programmes; focusing on providing technical support rather than giving aid. At present, CSR interventions of Tata Steel focus on 'sustainable development' to enhance the quality of life of people. It guides the Company in its race to excel in all areas of sustainability. J R D Tata the Chairman of the Tata Group believed that, "to create good working conditions, to pay the best wages to its employees and provide decent housing to its employees are not enough for the industry, the aim of an industry should be to discharge its overall social responsibilities to the community and the society at large, where industry is located." Guided by this mandate, Tata Steel has for decades uses its skills and resources, to the extent it can reasonably afford, to give back to the community a fair share of the product of its efforts.

The Company supports and propagates the principles of the United Nations Global Compact as a Founder Member, is a signatory to the World steel Sustainability Charter and supports the Affirmative Action programme of the Confederation of Indian Industry. Tata Steel's approach to business has evolved from the concept that the wealth created must be continuously returned to society. The responsibility of combining the three elements of society - social, environmental, and economic - is of utmost importance to the way of life at Tata Steel.

Today, Tata Steel's CSR activities in India encompass the Company's Steel Works, Iron ore mines and collieries, reaching out to the city of Jamshedpur, its peri-urban areas and over 800 villages in the states of Jharkhand, Odisha and Chhattisgarh. Community involvement is a characteristic of all Tata Steel Group companies around the world. It can take the form of financial support, provision of materials and the involvement of time, skills and enthusiasm of employees. The Group contributes to a very wide range of social, cultural, educational, sporting, charitable and emergency assistance programmes. The Company works in partnership with the Government, national and international development organisations, local NGOs and the community to ensure sustainable development.

The Corporate Services Division delivers these responsibilities through several institutionalized bodies:

- Tata Steel Corporate Social Responsibility and Accountability Policy
- Corporate Social Responsibility
- Tata Steel Rural Development Society (TSRDS)
- Tribal Cultural Society (TCS)
- Tata Steel Family Initiatives Foundation (TSFIF)
- Tata Steel Skill Development Society (TSSDS)
- Education
- Medical Services
- Urban Services
- Sports Department
- Tata Steel Adventure Foundation
- JUSCO

- Other societies like Ardeshir Dalal Memorial Hospital, Blood Banks, Kanti Lal Gandhi Memorial

Hospital etc.)

- Tata Relief Committee

To assess the effectiveness of its social initiatives Tata Steel has innovatively devised a Human Development Index (HDI). In 2012-13, HDI assessment was completed for 230 villages. The Corporate Social Responsibility Advisory Council was also created with the objective that this apex body along with the results of the measurement of HDI will enable the Group to direct its social initiatives better and allocate resources more efficiently.