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## **A Study of Corporate Social responsibility practices by Indian Companies**

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### **ABSTRACT**

Our country is a developing economy, where Corporate Social Responsibility (CSR) plays a vital role in organizations. Today one can easily notice a paradigm shift from profit oriented to being socially responsible. The CSR has been implemented in last two decades, when Indian companies have realized the importance of sustaining this cutthroat competition era. CSR plays a crucial role in sustainable development which is only possible where there is proper balance between profit and social responsibility. The problem with Corporate Social Responsibility is nobody is very clear about what exactly it means. The Indian government as been trying to make it mandatory for companies to spend at least 2% of their net profits on CSR. Today, Some companies provide lunch to their employees or tackling global warming issues and claim it has CSR initiative. The purpose of this study is to explore the provisions of the Companies Act 2013 and CSR initiatives taken by the Indian companies.

**Keywords:** Corporate Social Responsibility, Corporate Society relations, Company initiatives.

### **1. Introduction**

Corporate Social Responsibility is an entry point for understanding several firm-related and societal issues and responding to them in a firm's business strategy. Emerging economies like India have also witnessed several firms actively engaged in CSR activities. More importantly, in this age of widespread communication and growing emphasis on transparency of companies as well as taking into consideration the will and expectations of their stakeholders. CSR is a concept that reduces costs and risks, increases brand value and reputation, effectiveness and the efficiency of employees, improves transparency and clarity in the working environment of the companies. CSR policy functions as a built-in, self-regulating mechanism, whereby business would monitor and ensure their adherence to law, ethical standards and international norms. CSR is the deliberate inclusion of public interest into corporate decision making, and the honoring of a triple bottom line: People, Planet and Profit.

### **2. Statement of the problem:**

CSR is extremely important for sustainable development of all stakeholders (all the people on whom the business has an impact, including society at large). Proponents of CSR argue that companies make more long-term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of business. Nevertheless, the importance of CSR cannot be undermined. With the company Act 2013, under sec 135 it is compulsory for all companies spend at least 2 percent of the average net profits of the company on CSR activities.

### **3. Objectives of the study:**

- To study the provisions of companies, act 2013 with regard to CSR.
- To study the CSR initiatives taken by Indian companies.
- To understand the CSR status in India.

### **4. Methodology:**

This research paper is an attempt of exploratory research based on the Secondary data sourced from journals, articles; web etc., Secondary data which was available was extensively used for the study.

**5. Literature review:**

CSR has emerged as a business issue of the 21st century and has been studied for over 50 years. To this day academics do not have a consensus on its definition (Wood, 1991; Carroll, 1991). Bowen's definition of Social Responsibility of businessmen was "it refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society (Carroll,1999). Ball Kim (2008) proposed a shift in view from corporate social responsibility to corporate social performance (CSP) as a means to access CSR policies and practices. A harmful product category was chosen to illustrate how corporate social performance using a consumer's point of view can be assessed. Galbreath Jeremy (2009) explored how corporate social responsibility (VSR) can be effectively built into firm strategy.

Based on the review, there are many questions which have raised such as Can the shareholders money be used for the company's corporate social responsibility(CSR) practices? The difficulty in integrating CSR with organizational values and practices, lack of time and financial resources etc, all these issues will make the company reluctant to commit and allocate resources or time to such practices.

**Key Points on CSR in the companies act 2013**

Section 135 of the Companies Act 2013, it requires that companies set up a CSR board committee, which must consist of at least three directors, one of whom must be independent. That committee must ensure that the company spends "at least 2percent of the average net profits of the company made during the three immediately preceding financial years" on "CSR" activities.

The requirement will apply to any company that is incorporated in India whether it is domestic or a subsidiary of a foreign company and which has

-Net worth of Rs 5 billion or more

- Turnover of Rs. 10 billion or more or

- Net profit of Rs. 50 million or more during any of the previous three financial years. This means that about 8,000 companies will spend total of up to Rs.150 billion annually on CSR activities.

The board committee is responsible for reviewing, approving, and validating the company's investments in CSR. Prior to each annual meeting, the board must submit a report that includes details about the CSR initiatives undertaken during the previous financial year. The board's independent director helps ensure the credibility of this process. However, the act does not provide any guidance on what constitutes acceptable reasons for which a company may avoid spending 2 percent on CSR.

The act defines CSR as activities that promote poverty reduction, education, health, environmental sustainability, gender equality, and vocational skills development. Companies can choose which area to invest in or contribute the amount to central or state government funds earmarked for socio-economic development. While this definition of CSR is broad and open to interpretation, it clearly emphasizes corporate philanthropy rather than strategic CSR. The act does, however, specify that companies "shall give preference to the local area and areas around where it operates.

**CSR Initiatives of Indian companies:**

Corporate companies like ITC have made farmer development a vital part of its business strategy, and made major contribution to improve the livelihood standards of rural communities.

IT companies like TCS and WIPRO have developed software to help teachers and children in schools across India to further the cause of education.

Aptech Limited, a leading education player with a global presence, has played an extensive and sustained role in encouraging and fostering education throughout the country since inception.

In another study undertaken by automotive research company, TNS Automotive, India has been ranked second in global corporate social responsibility.

Pharmaceuticals Company Jubilant Organosys Ltd already runs an anti-tuberculosis program me with the government of Uttar Pradesh.

Infosys Foundations has undertaken various initiatives in providing medical facilities to remote rural areas, organizing novel pension schemes and in aiding orphans and street children. It has undertaken

a large rural education program titled “ A library for every school” under which 5500 libraries have been set up in government schools spread across many villages.

The Tata Memorial Centre is not just India’s best cancer hospital, it is a global centre of excellence where 70 percent of patients get free primary care. About 10 to 12 million people the world over suffer from cancer.

IBM- Japan’s e-elder initiative is a national program me using training material and other support from IBM Japan which will hire and train seniors as instructors for other seniors in an effort to help elder citizens more fully participate in a Web- based society.

### **CSR IN INDIA**

In a country like India, where one-third of the population is illiterate, two- thirds lack access to proper sanitation, and 400 million people still live on less than Rs. 120 per day, the passage of the Companies Act should be hailed as a positive step forward in ensuring that business contributes to equitable and sustainable economic development. But there are also several reasons to think it may not greatly improve CSR. Indian companies still equate CSR with corporate philanthropy rather than considering CSR as a holistic view of the impacts business has on society and the environment through its operations. By enforcing this view, the bill could distract business leaders who are ready to embrace strategic CSR.

Also, by making CSR mandatory, companies may treat it as a “check the box” exercise rather than looking at ways to innovate and generate a return from doing social and environmental good. And most companies will comply by channelizing funds to community organizations that are addressing one of the priority topics mentioned. There is no shortage of organizations that will be willing to accept these funds- there are an estimated 3.3 million NGOs in India--- but few organizations have the capacity and the skill to effectively manage projects that can have a large-scale impact. To meet the spending obligations, companies may not do the right due diligence to select high-impact, credible organizations.

### **Suggestions:**

Companies can set up a network of activities to be taken up in a consortium to tackle major environmental issues. Training, conferences and seminars could be organized by companies to disseminate and generate new knowledge and information in this sector. Companies need to involve their stakeholders in order to build meaningful and long-term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach local communities.

### **Conclusions:**

It’s too early to say what the real impact of this act will be, especially given that passing it and enforcing it are two different things. But with the controversy around the CSR provisions, and the lack of specificity and detail, there is an opportunity for leading companies to influence the way the CSR mandate is interpreted. Given the immense need and tremendous business opportunity in India, this can only be a good thing.

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