



## CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES OF BUSINESS ORGANIZATIONS AND CHANGING CONTOURS

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### ABSTRACT

*CSR is an approach undertaken by large business organisations to achieve balance of environmental and social imperatives along with economic issues not only gain competitive advantage by improving brand image and reputation but also to enhance customer loyalty. It can help companies get easy access to capital and markets which helps in increasing sales and profits, operational cost savings, improved productivity and quality and efficient human resource base.*

*This research paper explores the rationale of large business houses which are interested in investing their money in a variety of socially relevant projects /enterprises and the impact of CSR. The paper would examine the policy of Government of India its importance of CSR in encouraging the skill developmental initiatives for improving the employment generation, employability enhancement Public healthcare and improvement in overall business climate in the country. CSR needs to be embedded through the whole business, not merely mandatory philanthropic projects as required by the law. UNICEF, OECD and other global welfare organizations echo these concerns, arguing that an emphasis on corporate-charity partnerships is deflecting pressure on companies to change their business practices. The paper concludes with emerging contours of CSR practices by business organizations and public policy implications.*

**KEYWORDS:** *Corporate Social Responsibility, Skill Development, Employment Generation, Social entrepreneurship, customer loyalty*

### I. INTRODUCTION

Corporate Social Responsibility (CSR) refers to the efforts of the large corporate organizations undertaken to express social, environmental and ethical concerns in their business strategies through socially relevant projects / programmes. With CSR activities, the business organizations can be expected to achieve a balance of environmental and social imperatives along with economic issues organisation not only gain competitive advantages by improving brand image and reputation but also enhance customer loyalty. It can help companies get easy access to capital and markets which helps in increasing sales and profits, operational cost savings, improved productivity and quality and efficient human resource base. **Only CSR activities undertaken in India would be taken into consideration and activities meant exclusively for employees and their families would not qualify.** Large companies can implement its CSR activities through the following methods:

- i. Directly on its own
- ii. Through its own non-profit foundation constituted to facilitate this initiative

- iii. Through independently registered non-profit organisations that have a record of at least three years in similar activities
- iv. Through collaboration or pooling of resources with other companies.

### CSR Provisions in India and the Global Experience

India is probably the only country to have enacted corporate social responsibility (CSR) into a law. The world over CSR is all about business models and not philanthropy. In the United Nations and Europe, much attention has been devoted to defining CSR. The definition of CSR includes the following: guidelines, codes of conduct, or pledges encompassing positive corporate action across dimensions such as economic, social and environmental value creation, stakeholder relations and voluntariness. Among the most globally influential CSR guidelines or standards are the Organisation for Economic Co-operation and Development (OECD) Guidelines for multinational enterprises and the goals embodied in the United Nations Global Compact. The OECD Guidelines, though intended to provide voluntary principles and standards, have been recognized by OECD "adhering countries" as well as other countries, as "recommendations

jointly addressed by governments to multinational enterprises". However, the guidelines are not intended to be legally binding or enforceable. CSR is viewed as "Impact Investment", the term which has been around for a long time now, has gained more popularity in this decade. CSR as impact investment would soon turn out to be a solution for many issues plaguing the underdeveloped countries. It has the potential to initiate growth spiral at the very grass root level. It has created long-term employment, solved social issues like poverty and hunger and giving dignity of life on its way.

## LITERATURE REVIEW

There have been multiple attempts at providing a clear definition of CSR as a mode of Impact Investment. CSR at corporate level is a process of capacity building for the creation, managing and scaling-up of successful socially inclusive businesses (Koh et al., 2012) It is well known that Inclusive businesses are facing lots of constraints in this very process. (Koh et al., 2012). CSR has become a vital tool of societal upliftment. This societal upliftment can take many forms depending on the requirements of the developing countries. It can be ecological, financial or social changes which solve basic issues crippling these economies. (Dalberg, 2011; 2012; Koh et al., 2012; 2014; Brest and Born, 2013).

Most of the research in this field deals with Socially Responsible Investment (SRI) strategy. A SRI strategy on impact investing refers to an 'explicit aspiration to generate exceptional social impact and a financial return by investing in enterprises that benefit the poor' and focuses on measurement metrics and assessment of Impact on employability. (McCreless and Trelstad, 2012: 21). CSR investment in companies differ on the basis of sizes of investment flows (e.g. Dalberg, 2011), motive and justification of investment strategies and sourcing behaviour (e.g. Banerjee and Duflo, 2011; Myers and Majluf, 1984. GIIN, 2011; Dalberg, 2011) have created a data base of country and motive wise which is very useful for further research in the field. The academic research on the subject is very limited.



## II. RESEARCH OBJECTIVES

- i. To understand the objectives of CSR and the theme wise compliance by companies.
- ii. To understand the impact of CSR state wise in India. It would also draw certain observations and analysis from recent data 2014-15 to 2017-18.
- iii. To review the report on CSR by Dr. Injeti Srinivas, Secretary, Ministry of Corporate Affairs (MCA), Government of India and draw beneficial inferences for companies for implementation of CSR activities in a dynamic and innovative ecosystem.

## Organizational models of CSR

CSR projects / enterprises undertaken by large corporate business organizations can be grouped in the organizational models as follows:

**1. Non-profit social enterprise** - A non-profit organization to drive the adoption of an innovation that addresses a market or government failure. The entrepreneur engages a cross section of society, including private and public organizations.

**2. For-profit social enterprise** - A for-profit organization created with the explicit intent to solve a social problem. While profits are ideally generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need.

**3. Hybrid social enterprise** - A non-profit organization that includes some degree of cost-recovery through the sale of goods and services. Often requires setting up several legal entities to accommodate earning income and charitable expenditures in an optimal structure.

**4. Social Entrepreneurs (SE)** have become invaluable to society and are yet to enter as a mainstream profession. They are possibly the only sect of professionals who do not work for money but for the benefit and overall welfare of society.

CSR policy functions as a self-regulatory mechanism whereby a business ensures active alliance with Spirits of law, ethical standards and business norms. As an engine for social progress, CSR helps companies live up to their responsibilities as global citizens and local neighbours in a fast-changing world. For Indian Corporate enterprises, CSR can be a source of opportunity, innovation, and competitive advantage while at the same time providing with the opportunity to actively contribute to the sustainable development. CSR goals and responsibilities can be illustrated in the following diagram: (Diagram 1)

## Coverage of the Study

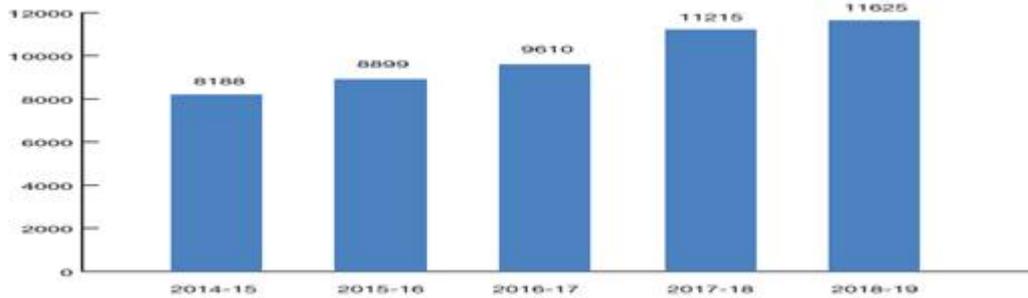
The Companies Act, 2013 and the Corporate Social Responsibility (Policy) Rules (The Act) came into effect from 1 April 2014. The Ministry of Corporate Affairs(MCA) is responsible for the enforcement of the Act and its regulation. As per the Act, companies with a net worth of Rs 500 crore (cr.) or more, or a turnover of Rs 1000 cr. or more, or a net profit of Rs 5 cr. or more in a given financial year must spend 2 per cent of their net profits on CSR programmes (to be calculated as per Section 198 of the Act).

### III. Main Findings

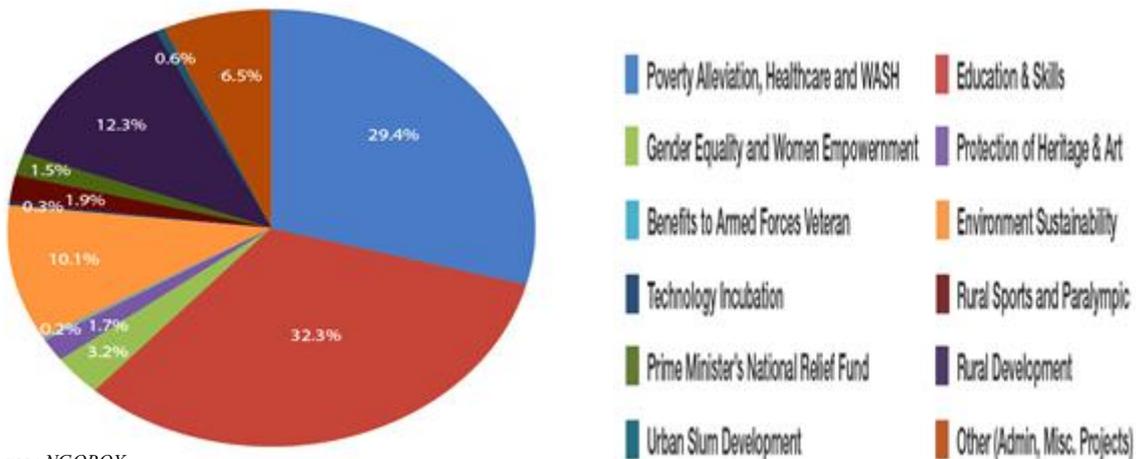
This study focuses on CSR reporting survey for years 2014-15 to 2018-2019 . The details of amount spent on CSR

prescribed vs. projected between the years 2014-15 to 2018-19 is depicted below:

**Diagram – 2: Prescribed CSR of Big 500 Companies (Rs. Cr.)**



**Diagram 3 -Theme wise CSR Fund Distribution from FY 2014-15 to FY 2018-19**



Source : NGOBOX

#### Theme Wise CSR Fund Flow

This study reveals that CSR activities undertaken by business organizations dwell on a variety of themes which are socially relevant. Among the various themes of CSR activities, education and skills development initiatives would receive over INR 15000 Cr. by 31st March 2019 followed by poverty alleviation, healthcare and WASH initiatives with INR 14,000 Cr. It is remarkable that CSR expenditure on Women Empowerment and Gender equality received Rs.109 Crore in 2014-15 increased over the years and stood at Rs.598 Crore in 2018-19. The Ministry of Corporate Affairs (MCA) has observed the lop sided trend in adoption of CSR by the business organizations over the years 2014-15 to 2018-19 and the MCA has already begun to take stringent actions

against the companies that did not comply with the CSR rules, it is believed that companies would reach the actual CSR spend mark of 97-98% with respect to the prescribed CSR and the actual CSR spend by 2018-19. It may be observed that the Companies preferred spending CSR expenditure in the states of India located near their factories / headquarters and these 10 states have been labelled as “ Top 10 States “. This is observed as lopsided and biased spending on such projects. Certain Union Territories in the North East have received very low CSR expenditure receive only 2.49% of India’s total CSR fund allocated by the Companies and have been designated as “Bottom 5 States” appropriately. Seven North-East states (Seven Sisters) together received 2.5 % of CSR allocated by Companies.

**Geographic Distribution of CSR Fund**

State	Rs. in crore		% of India's CSR Fund
	Spend between FY 2014-15 to FY 2016-17	Projected Spend FY 2017 - 18 & 2018 - 2019	
Andhra Pradesh	996.9	1169.9	4.52
Arunchal Pradesh	255.5	319.8	1.20
Assam	404.0	478.1	1.84
Bihar	336.3	425.9	1.59
Chhatisgarh	434.6	514.6	1.98
Delhi	653.2	780.1	2.99
Goa	156.8	197.9	0.74
Gujarat	1157.3	1373.8	5.28
Haryana	469.6	575.4	2.18
Himanchal Pradesh	228.3	284.6	1.07
Jammu & Kashmir	291.2	379.9	1.40
Jharkhand	722.5	1003.3	3.60
Karnataka	1237.1	1615.2	5.95
Kerala	357.4	448.0	1.68
Madhya Pradesh	634.9	793.7	2.98
Maharashtra	3275.8	4197.7	50.59
Manipur	158.7	210.4	0.77
Meghalaya	153.6	196.3	0.73
Mizoram	140.3	180.9	0.67
Nagaland	137.2	174.4	0.65
Odisha (Orissa)	972.2	1199.4	4.53
Punjab	345.9	445.1	1.65
Rajasthan	1233.8	1729.0	6.18
Sikkim	163.0	206.1	0.77
Tamil Nadu	960.3	1216.1	4.54
Telangana	692.9	855.5	3.23
Tripura	160.0	199.5	0.75
Uttar Pradesh	681.3	852.7	3.20
Uttarakhand	382.5	475.6	1.79
West Bengal	985.4	1195.8	4.55
Pan - India (Not specified)	--	--	9.57
Union Territories	--	--	1.83

Source : NGOBOX

**High Powered Committee on CSR**

The Ministry of Corporate Affairs, Government of India, set up a committee in April 2018 to review CSR compliance and recommend necessary changes in the CSR rules after completion of four years of the mandatory CSR. The High Powered Committee (HPC) on CSR constituted by Government of India in October 2018 with Shri Injeti Srinivas, Secretary, Ministry of Corporate Affairs as Chairman and included other corporate leaders, eminent lawyers, , NGO executives as members.

With the enforcement of the Companies Act in 2014, India became the first country to make corporate social responsibility, or CSR, mandatory. The legislation stipulates that companies conscientiously contribute to society by integrating development programmes in their business models and culture. For this, firms with net worth of Rs 500 crore, or turnover of Rs 1,000 crore, or net profit of Rs 5 crore or more in a fiscal, must contribute 2 per cent of their profits to programmes that benefit society.

**Main observations of HPC**

The Committee also noted that the country's most backward districts that require maximum CSR support remain deprived. To elaborate , Maharashtra, Rajasthan, Gujarat, Karnataka and Andhra Pradesh, which account for only 15

per cent of the 'aspirational' districts, have received 60 per cent of the CSR money. Twelve per cent of the districts in the Northeast require CSR attention, but just about 4 per cent received CSR money in 2017-18.

The HPC also pointed out the anomaly those just six states – Maharashtra, Karnataka, Andhra Pradesh, Gujarat, Tamil Nadu and Delhi in funds have cornered a dominant part of Rs.52,208 Crore spent on CSR activities only one per cent of all CSR programmes have been implemented in Jharkhand and Chhattisgarh each. Bihar has received just 2 per cent, Madhya Pradesh 3 per cent and Odisha 11 per cent. The six states constitute only 11 % of 117 of the so called "Aspirational Districts, though these states received about 40 % of the CSR funds actually spent by Companies during the period 2014-15 to 2017-18. Only 9 % of the CSR funds reached 55 % of the aspiration districts located in Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh. It also recommended aligning CSR activities with Sustainable Development Goals (SDG). Activities such as Sports Promotion, Senior Citizens' Welfare, Welfare of the differently abled persons, Disaster Management, Heritage Protection under permitted CSR activities.

## Limitations

- The research paper is an attempt of exploratory research, based on the secondary data sourced from Research reports of Business Consulting Organizations, journals, magazines, articles, newspapers and media reports.
- CSR data is linked to Sales /turnover and profit details of the respective companies undertaking CSR projects. As such, the CSR data is reported by Companies to the Ministry of Corporate Affairs (MCA) as a statutory requirement and maintained outside the public domain/researchers .
- The study on CSR has relied upon the data from NGOBOX. It is a development communication platform that helps companies, CSR foundations, NGOs and social enterprise to network, communicate and find resources online and of line. Its clients include WHO India, UNICEF, and NASSCOM Foundation & Tata Steel.

## CONCLUSION - CHANGING CONTOURS

- ❖ It becomes more or less mandatory for large businesses to adopt CSR / social initiatives if it is required by Government Policies. To have real voluntary adoption of socially responsible agenda, which is also beneficial for the corporate is a task which is to be aligned with enabling them to access new consumers and new markets.

- ❖ As observed from the above discussion, CSR efforts are limited in scope and range. Changing contours would be in the direction of providing managerial capacities, human resources, capital, and result-oriented frameworks from the corporate world, they can help non-profits and community-based organisations (CBOs) working on the rule of law do more and ensure that citizens can access timely justice without fear or favour.

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