

Corporate Social Responsibility: An Indian Perspective

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Abstract

Business houses cannot consider themselves solely as a money making entity. Being beneficiaries and some of the biggest consumers of various social and natural resources, it's their moral and ethical duty to give back to the society in various forms. Instead of being seen only as charity, corporate social responsibility should be considered as a vital part of the core business of a business entity. Companies upon realizing this reality have started setting aside substantial portion of their profits for various CSR activities and Indian companies are also not an exception to it. There are primarily two reasons behind companies becoming more socially responsible- the first one being the external reality of a rapidly changing society and environment which makes it obligatory for business organizations to adopt sustainable development for their own sheer survival, the second one being the internal reality of business innovation which makes it imperative to practice corporate social responsibility to become more profitable. Though a relatively new concept in India, it has picked up pace in the last decade or so due to both government prodding and also due to the realization by companies of CSR activities as an excellent way to connect with the populace. CSR is not only the various activities companies employ to utilize their profits for various social and environmental development, but also consists of the socially responsible methods to earn these profits and running a transparent business to realize an overall social and environmental sustainability. The present paper will try to explore the various aspects of corporate social responsibilities and will also try to assess the roles played by Indian companies in carrying out various types of CSR activities.

Key Words: *Corporate social responsibility, Social welfare, Sustainability, India, Environmental concern*

Purpose of study:

India has seen an enviable growth in various industrial sectors in the last few decades especially since the economic liberalization of the 90's. Despite of that, Indian companies have a long way to go to match up to the contribution of its

foreign peers in the field of corporate social responsibility. Government of India has framed various regulations to identify diverse activities which could qualify as acts of CSR and also set various norms for the same based on the bottom line of the companies. However, the real

challenge always remains the actual implementation at the ground level successfully which could determine how far the effort put forward by the government has borne fruit. There is a considerable shift of corporate goals towards socio-economic sustainability to benefit various stakeholders associated with the business. An elaborate analysis of CSR activities of Indian companies will throw up various important points. Thus, it is imperative to consider this exciting relationship between corporate social responsibility and putting forward an enhanced image of the businesses in the society.

Objectives of study:

- To understand various rules and regulations governing CSR activities in India
- To analyze various data related to CSR activities undertaken by companies to give a clear idea of the status of CSR activities in India
- To give out suggestions to improve the CSR climate in India

Methodology:

The present study uses secondary data from various government and non-government sources like Ministry of Corporate Affairs, Pricewaterhouse Coopers, Ernst & Young, KPMG etc and analyze them to give a clear picture of the current status of CSR activities in India.

Corporate social responsibility:

Corporate social responsibility is a self regulating business model which helps a company to be responsible and

accountable to the society, to itself, to its stakeholders and to the common people. Through the practice of corporate social responsibility, companies can become conscious of the various impacts their businesses are having on the economy, society, and environment. Engaging in corporate social responsibility signifies that the company is carrying out its business in a manner which is enhancing the society and the environment rather than leaving a negative footprint on it.

Corporate social responsibility can take diverse forms based on the organization and industry. Businesses can have a positive influence on the society through CSR programs, philanthropic activities, and various other voluntary works. It can help forge stronger bonds between employers and employees which can boost morale of both of them by creating a special bond between them and the world around them.

Corporate social responsibility regulation in India:

According to Section 135 of the Indian Companies Act, 2013, Corporate Social Responsibility is required for all companies i.e. private limited company, limited company. The following companies are expected to spend 2% of the Profit after tax (PAT) on CSR:

- Companies with a net worth of Rs. 500 crores or greater, or
- Companies with a turnover of Rs. 1000 crores or greater, or
- Companies with a net profit of Rs. 5 crores or greater.

The average of last three financial years' PAT is considered for calculating the 2% of for CSR. These companies are required to form a CSR committee consisting of its directors. This committee oversees the entire CSR activities of the Company.

CSR committee:

- i) As per the Act, eligible companies are mandated to form CSR committee of the board consisting of three or more directors, out of which at least one director shall be an independent director.
 - ii) An unlisted public company or a private company covered under sub-section (I) of section 135 which is not required to appoint an independent director pursuant to subsection (4) of section 149 of the Act, shall have its CSR committee without such an independent director.
 - iii) A private company having only two director on its board shall constitute its CSR committee with two such director.
 - iv) With respect to a foreign company covered under the CSR rules, the CSR committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (i) of section 380 of the Act and another person shall be nominated by the foreign company.
- Eradicating extreme hunger and poverty
 - Promotion of education
 - Promoting gender equality and empowering women
 - Reducing child mortality
 - Improving maternal health
 - Combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases
 - Ensuring environmental sustainability
 - Employment enhancing vocational skills, social business projects
 - Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development, and
 - Relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

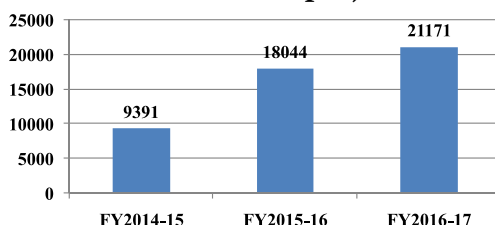
Role of CSR in an organization:

- It strengthens relationships with stakeholders
- It enables continuous improvement and encourage innovation
- It attracts the best industry talent as a socially responsible company
- It acts as the additional motivator to employees

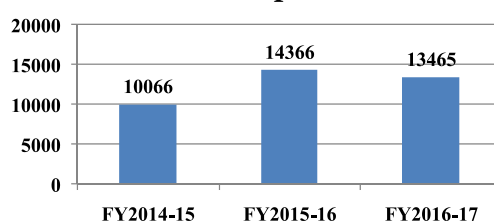
Activities permitted under Corporate Social Responsibility (CSR)

The following activities can be performed by a company to accomplish its CSR obligations:

- It ushers in risk mitigation because of an effective corporate governance framework
- It enhances ability to manage stakeholder expectations

Total no. of CSR projects :

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

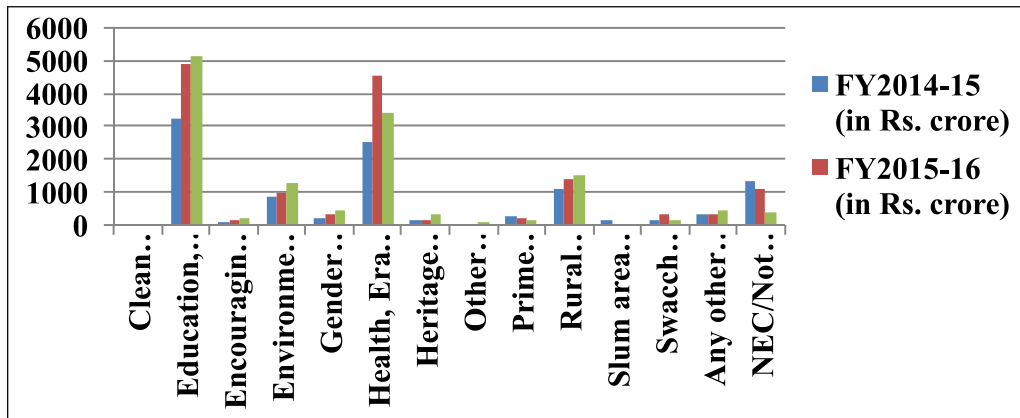
Total amount spent on CSR:

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

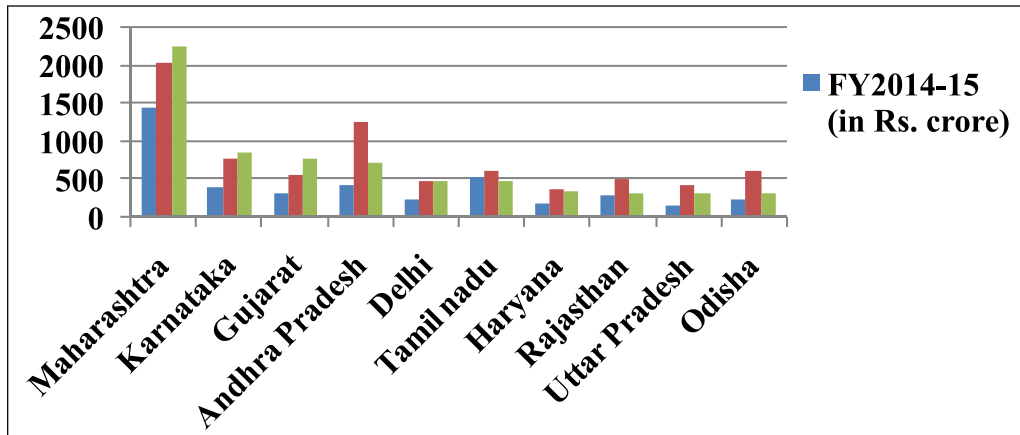
CSR spent: Development Sector-wise:

Development sectors	Amount spent FY2014-15 (in Rs. crore)	Amount spent FY2015-16 (in Rs. crore)	Amount spent FY2016-17 (in Rs. crore)
Clean Ganga fund	5.47	32.65	24.23
Education, Differently abled, Livelihood	3188.09	4881.26	5123.83
Encouraging sports	57.61	137.58	172.53
Environment, Animal welfare, Conservation of resources	853.99	963.22	1282.34
Gender equality, Women Empowerment, Old age homes	189.92	337.44	434.75
Health, Eradicating hunger, Poverty and malnutrition, Safe drinking water, Sanitation	2525.92	4545	3397
Heritage art and culture	117.37	117.58	296.85
Other sectors (Technology incubator and benefits to armed forces and admin overseas	9.5	37.15	58.71
Prime minister's National Relief Fund	228.18	213.7	150.7
Rural development	1059.34	1369.52	1507.45
Slum area development	101.14	14.3	49.81
Swacch Bharat Kosh	113.86	324.72	165.09
Any other fund	277.09	326.88	412.38
NEC/Not mentioned	1338.39	1065.22	388.86
Grand Total	10065.93	14366.29	13464.6

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

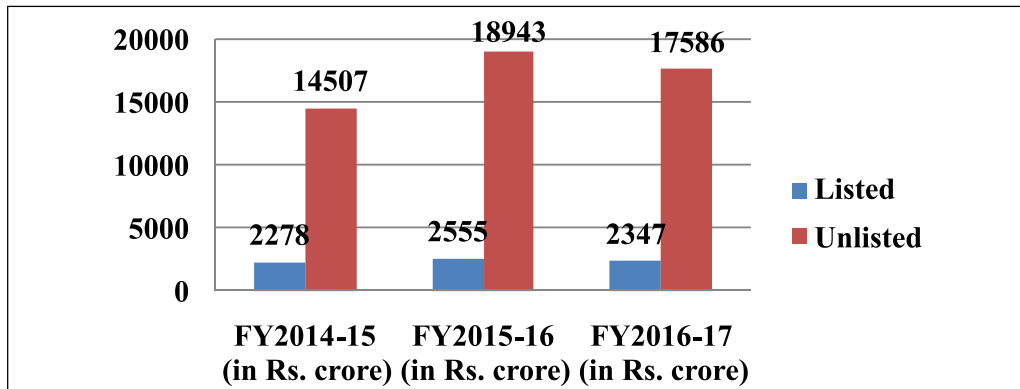


CSR spent: Top 10 states

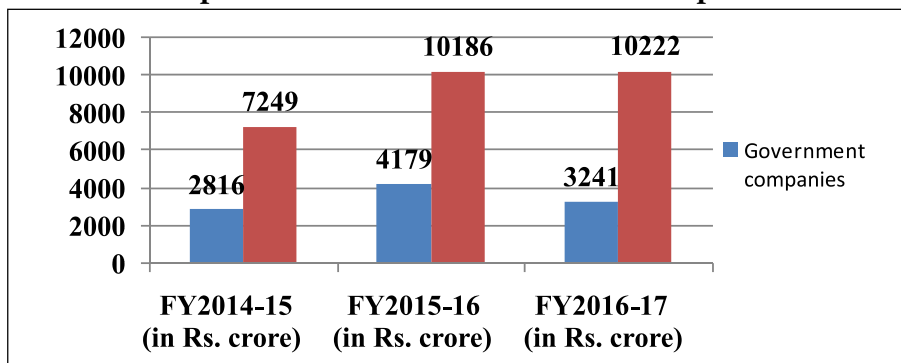


Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

CSR spent: Listed vs. Unlisted companies:



Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

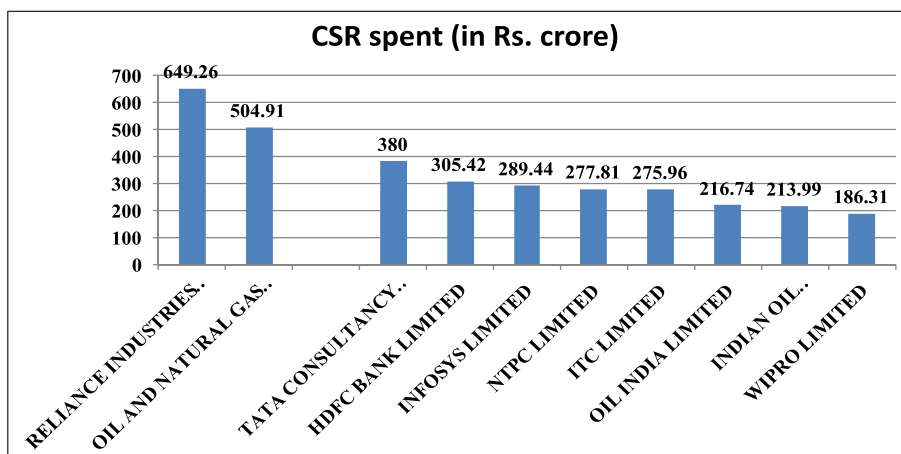
CSR spent: Govt. vs. other than Govt. companies:

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

Top 10 companies in India in terms of CSR spending in FY2016-17:

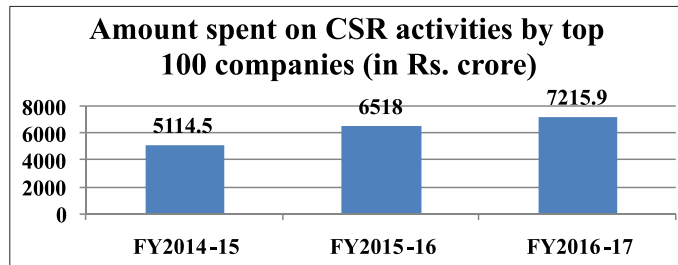
Company name	CSR spent (in Rs. crore)
RELIANCE INDUSTRIES LIMITED	649.26
OIL AND NATURAL GAS CORPORATION LIMITED	504.91
TATA CONSULTANCY SERVICES LIMITED	380.00
HDFC BANK LIMITED	305.42
INFOSYS LIMITED	289.44
NTPC LIMITED	277.81
ITC LIMITED	275.96
OIL INDIA LIMITED	216.74
INDIAN OIL CORPORATION LIMITED	213.99
WIPRO LIMITED	186.31

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India



Amount spent by top 100 listed companies as per market capital on CSR activities:

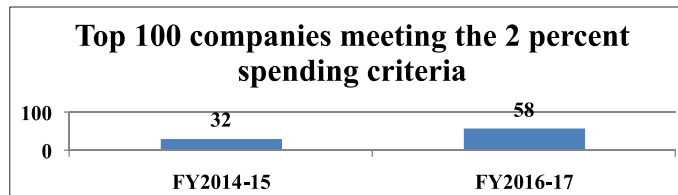
During FY2016-17, companies have spent Rs. 7215.9 cr. which is 41 per cent higher as compared to 2014-15. This is a significant rise, clearly demonstrating higher expenditure towards CSR activities from the mandated year.



Source: KPMG, India's CSR Reporting Survey 2017

Top 100 listed companies meeting the 2 per cent spending criteria:

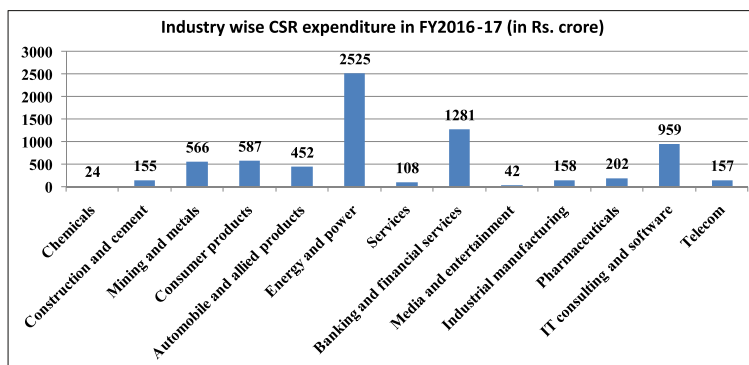
58 companies have spent 2 per cent or more during FY2016-17, as compared to only 32 companies during the first year of requirement (2014-15).



Source: KPMG, India's CSR Reporting Survey 2017

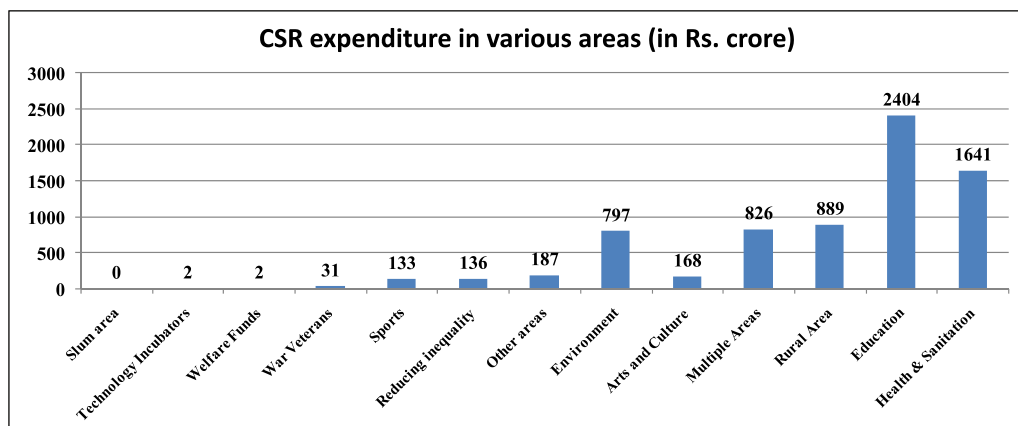
Industry wise CSR expenditure in FY2016-17:

Energy and Power sector has spent the highest amount towards CSR (Rs. 2524.9 cr.) followed by BFSI (Rs. 1281 cr.), IT Consulting and Software (Rs. 959 cr.), Consumer Products (Rs. 587 cr.), and Mining & Metal (Rs. 566 cr.).



Source: KPMG, India's CSR Reporting Survey 2017

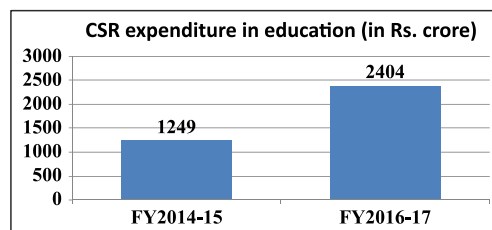
CSR expenditure in various areas in FY2016-17:



Source: KPMG, India's CSR Reporting Survey 2017

CSR expenditure by top 100 listed companies in education:

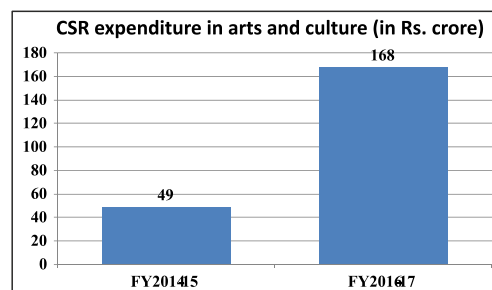
Expenditure towards education increased by over 92 per cent in FY2016-17 over the previous 3 years i.e. from Rs.1249 crore (FY2014-15) to Rs.2404 crore (FY2016-17).



Source: KPMG, India's CSR Reporting Survey 2017

CSR expenditure by top 100 listed companies in arts and culture:

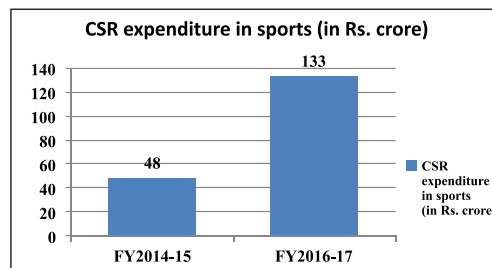
Expenditure towards arts and culture has increased over three-fold from Rs.49 crore in FY2014-15 to Rs.168 crore in FY2016-17.



Source: KPMG, India's CSR Reporting Survey 2017

CSR expenditure by top 100 listed companies in sports:

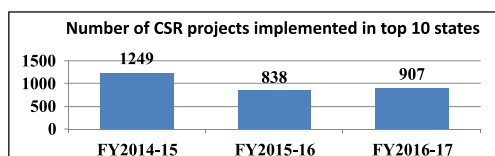
Expenditure towards sports has increased over three-fold from Rs.48 crore in FY2014-15 to Rs.133 crore in FY2016-17.



Source: KPMG, India's CSR Reporting Survey 2017

Number of CSR projects implemented in top 10 states:

1249 projects were implemented by top 100 listed companies in FY2014-15 which reduced to 838 during FY2015-16, which was considered a positive indicator wherein the corporates had started more focused projects rather than spreading too thin. However, during FY2016-17, over 907 projects were implemented by 100 companies in top 10 states, an increase of over 8 per cent as compared to the previous year. The increased number can be directly attributed to the increase in CSR expenditure during current year.



Source: KPMG, India's CSR Reporting Survey 2017

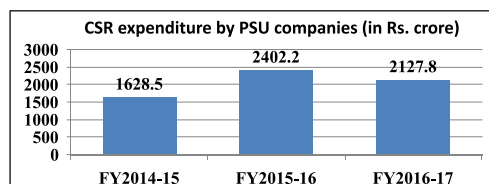
Number of CSR projects by PSU and non-PSU companies:

421 projects (22 per cent) were executed by PSU which account for 31 per cent of the total CSR expenditure during FY2016-17. In case of non-PSU companies, 1474 projects (78 per cent) were executed with an expenditure to the tune of 69 per cent. It is interesting to know that the average project cost is higher in case of PSU (Rs. 5.1 crore) against Rs. 3.2 crore for non-PSU companies.

Prescribed CSR expenditure by PSU companies:

CSR expenditure of PSU companies during FY2016-17 has increased to

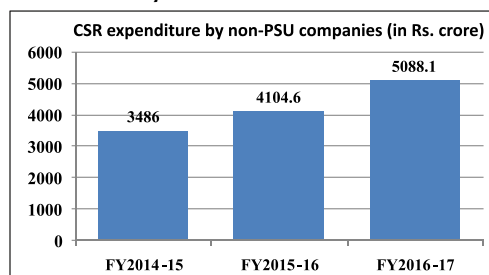
Rs. 2127.8 crore from Rs. 1628.5 crore in FY2014-15.



Source: KPMG, India's CSR Reporting Survey 2017

CSR expenditure by non-PSU companies:

The total CSR expenditure during the FY2016-17 by non-PSU companies has increased by 46 per cent from Rs. 3486 cr. in FY2014-15 to Rs. 5088.1 cr. in FY2016-17.



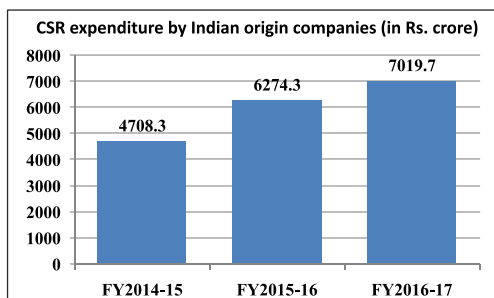
Source: KPMG, India's CSR Reporting Survey 2017

Number of CSR programmes by Indian origin and Non-Indian origin companies:

1800 projects (95 per cent) were executed by Indian origin companies which account for 97 per cent of the total CSR expenditure during FY2016-17. In case of non-India origin companies, only 95 projects (5 per cent) were executed with an expenditure to the tune of only 3 per cent. The average project cost is higher in case of Indian origin companies (Rs. 3.7 crore) against Rs. 2.1 crore for non-India origin companies.

CSR expenditure by Indian origin companies:

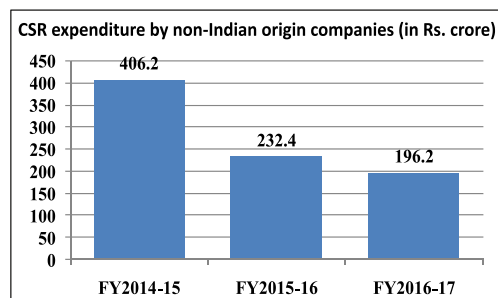
The total CSR expenditure during the FY2016-17 by Indian origin companies has increased to Rs.7019.7 crore from Rs.4708.3 crore in FY2014-15.



Source: KPMG, India's CSR Reporting Survey 2017

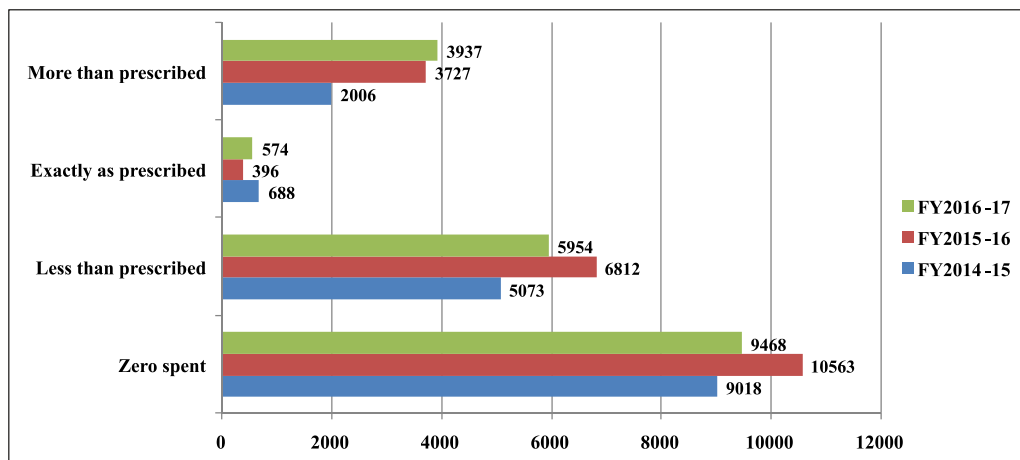
CSR expenditure by non-Indian origin companies:

The total CSR expenditure during the FY2016-17 by non-Indian origin companies has decreased to Rs.196.2 crore from Rs.406.2 crore in FY2014-15.



Source: KPMG, India's CSR Reporting Survey 2017

CSR compliance: Company-wise



Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India

Major findings:

- Reliance Industries Limited is consistently topping the chart of CSR expenditure for the last few years
- The number of companies spending more than the prescribed 2% amount on CSR activities has seen gradual uptick over the years
- Companies belonging to the energy & power sector are the biggest spenders in CSR activities
- Health and education has received the maximum attention from the companies regarding CSR activities
- CSR expenditure by companies was found to be highly skewed towards

few states (i.e. Maharashtra, Haryana, Gujarat, Karnataka and Andhra Pradesh) having smaller number of backward districts neglecting states with larger proportion of backward districts (i.e. Bihar, Uttar Pradesh, Himachal Pradesh, Odisha and Chhattisgarh).

- The North-eastern region of India received the least focus in CSR with miniscule expenditure by companies

Suggestions:

- More number of companies needs to come forward to meet the 2% expenditure criteria for CSR activities by setting aside funds
- Companies need to bring in eminent personalities having expertise in the field of CSR activities in their CSR committees to chalk out proper planning
- Rather than concentrating on somehow spending bulk amount on CSR activities, companies need to do proper analysis to identify states having large backward population and emphasise on covering as many backward districts as possible
- Government needs to be more vigilant regarding the companies meeting the CSR targets each year and insist on mandatorily disclosing their CSR expenditure through the director's report to the authorities

Conclusion:

Companies are in their own way making contribution towards strengthening the CSR activities in India. They are addressing various pressing issues affecting the society like employment generation, community development, environmental protection, easy accessibility of healthcare facilities, creating inclusive market, etc. Lack of coordination among the various stakeholders at the policy framework level has remained as a major challenge to realize the full potential of this activity. Involvement of the various stakeholders like companies, individuals, organizations, and governments at the state and central level in a synergistic manner to utilize the resources more effectively can help achieve the developmental goals. The initiative can be spruced up by way of providing more clarity on the actual meaning of CSR in the Indian context and offering a more favourable policy environment. Government of India is undertaking various definitive steps to convey to the companies that implementation of strategic CSR can lead to more sustainable business. A win-win situation can be created for all the stakeholders by way of creating a pool of resources both financial and technical. This can lead to a holistic development for the entire society.

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