

**A Study of  
Corporate  
Social  
Responsibility  
Practices in  
India**

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## **Abstract**

**Purpose** -The purpose of this study is to explore the various definitions and descriptions of Corporate Social Responsibility (CSR); elaborate upon development of CSR in India; study the theoretical concepts expounded by various researchers and study the deployment of current CSR practices in India. This paper examines how India's top 500 companies view, and conduct their CSR, identifies key CSR practices and maps these against Global Reporting Initiative standards.

**Design/methodology/approach** -It is a cross sectional study which is exploratory in nature. It involved secondary data collection and use of content analysis technique to assess CSR practices of companies operating in India.

**Findings** -The main findings of the study are that CSR is now presented as a comprehensive business strategy, arising mainly from performance considerations and stakeholder pressure. Companies consider their interaction with stakeholders and impact of its business on society as significant issues. CSR policies vary with turnover and profit. The study suggests that business and CSR strategy appear to be on a convergent path, towards business and CSR integration across the company. Out of the top 500 companies, 229 did not report on CSR activities and were therefore filtered. 49% of the remaining 271 companies were reporting on CSR. Many companies are making token gestures towards CSR and only a few companies have a structured and planned approach. Several companies spread their CSR funds very thinly across many activities. Every company defines CSR in their own ways as per their needs. CSR is on an upward learning curve and is primarily driven by philanthropy.

**Practical implications** -The study clearly maps the CSR performance of 500 top Indian companies against GRI standards. This paper will be useful to any Indian company in understanding more about its shortcomings and opportunities.

**Originality/value** -This is the first time that such an exhaustive study

has been carried out based on Indian companies. It gives a perspective on how top companies in India view and conduct CSR.

## **Introduction**

The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a organization's social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, the managers should help their company in development of a CSR management and reporting framework.

The more the concepts of CSR are fostered and integrated into the business process, the easier it will be to benefit from alternative thinking and perhaps handle the occasional problems that for certain will occur. The more integrated the business process within the value chain, the more opportunity there will be for organizations to influence the approaches of others on whom they depend. The concept of CSR includes the openness or transparency of companies as well as taking into consideration the will and expectations of their stakeholders. Social responsibility means a doctrine that claims that an entity whether it is government, Private Corporation or public organization has a responsibility to society. CSR is a concept that reduces costs and risks, increases the brand value and reputation, effectiveness and the efficiency of employees, improves transparency, and clarity in the working environment of the business house. In early 1950's & 60's the literature was not heavily represented in CSR discourse. However, this decade

‘marked a significant growth in attempts to formalize, or more accurately, state what CSR means’ (Carroll, 1999). According to Carroll, “CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time.” Some of the most prominent writers during that time were Keith Davis, Joseph W McGuire, William C Frederick and Clarence C Walton. Frederick wrote that ‘Social responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms’(Carroll 1999) Howard Bowen in 1953 argued that since social institutions shaped economic outcomes it was to be expected that business firms as an economic outcome of societal interests should consider the social impact of business activity. According to Bowen, “CSR 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.” CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm’s social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions (Wood, 1991). Social reporting and social audits are examples of how firms can assess their social performance. In 1960’s Keith Davies argued that CSR refers to ‘the firm’s consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm’ (Davies, 1973). Frederick 1960 stated ‘Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people. And this means in turn that the economy’s means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare’

(Fredrick, 1960). Thus, the definitions of CSR in 1960's were an attempt to link society and businesses, defining society in broadest terms. In 1970's there was one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud. The idea and inclusion of stakeholder began to appear. Harold Johnston 1971 stated that 'a socially responsible firm is one whose managerial staff balances a multiplicity of interests instead of striving only for larger profits for its stockholders. A responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation. Carroll 1979 offered the following definition of CSR. The social responsibility of business encompasses the economic, legal, ethical, and discretionary (or philanthropic) expectations that society has of organizations at a given point in time (Turner, 2006).European Commission described CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". World Business Council for Sustainable Development defined CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." In 80s & 90s there were fewer definitions but more efforts to measure and conduct research for the purpose of operationalizing CSR. New concepts which were closely related to CSR were introduced; stakeholder theory, business ethics, corporate governance, responsiveness, corporate social performance, and corporate citizenship. These concepts are closely related but not identical. Lee 1997 stated CSR refers to a company's commitment to operate in an economically and environmentally sustainable manner, while acknowledging the interests of a variety of stakeholders and maximizing economic, social and

environmental value. It is holistic concept that can mean different things to different groups and stakeholders. Gray, Owen, & Maunders in 1987 defined CSR as “the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large”. Similarly, Perks 1993 defined corporate social reporting as “the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders”. A term ‘corporate social innovation’ was first introduced by Rosabeth Moss Canter in 1999 who argues that firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new markets. Large corporations began to go public about corporate social responsibilities and publish some of their efforts, but they also made public that ‘any approach to corporate responsibility must begin with the practical recognition that the corporation must be profitable enough to provide shareholders a return that will encourage continuation of investment’ (Wilson, 2000). Another trend appearing in literature is the increasing dialogue between stakeholders. Companies are augmenting their discussions with labor unions, environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which is the establishment of codes of conduct (Kapstein, 2001), monitoring and reporting. Kingston and Wagner 2004 suggest that leadership on sustainability and CSR are important to set priorities and to ensure that commitments are achieved. Bebbington et al.(2008) use the term CSR reporting, which highlights the link between the reporting function and the organizational functions and operations that are concerned with, and impacted by, activities associated with CSR. CSR and CSR (or sustainability) reporting are inextricably intertwined across an organization, and at various levels, impact on strategic planning, governance,

stakeholder engagement, risk management, decision making, data collection and management systems, performance measurement, performance management, public relations and communications. The CSR movement was an early response to an article published in 1970 by Friedman stating that ‘social responsibility of business is to increase its profits’. CSR has emerged as the 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). Due to Bowen’s concern with social responsibility and his leadership role in the topic, Bowen should be seen as father of CSR. The main drivers for CSR have been the shrinking role of government, demands for greater disclosure, increased customer interest, growing investor pressure, competitive labor markets, and supplier relations. The companies enjoy several benefits like improved financial performance, lower operating costs, enhanced brand image and reputation, increased sales and customer loyalty, product safety, material recyclability, and greater use of renewable resources etc.



## **WHAT IS THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE?**

- (a) formulate and recommend to the Board, a **Corporate Social Responsibility** Policy,
- (b) recommend the amount of expenditure to be incurred on the activities and
- (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

## **WHAT BOARD WILL DO?**

The Board of every company shall —

- (a) approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website,
- (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company,
- (c) Ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years  
(Yet to be notified)

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount kept for Corporate Social Responsibility activities:

*If a company contravenes the provisions shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of such company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.*

### **WHAT IS NEW AS PER COMPANIES AMENDMENT ACT, 2019**

- If the company fails to spend such amount, the Board shall, in its report made specify the reasons for not spending the amount and, unless the unspent amount relates to any ongoing project referred transfer such unspent amount to a Fund specified in Schedule VII (FOR EXAMPLE “PM RELIEF FUND”, within a period of six months of the expiry of the financial year
- Any amount remaining unspent shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third

**Suggested Areas of Activities for companies to implement their CSR in PROJECT MODE are:** *(as per Schedule VII)*

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:

(i) Eradicating hunger, poverty and malnutrition, 'promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

(v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents;

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(ix) Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

(x) rural development projects

(xi) slum area development.

Explanation.- For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

(xii) disaster management, including relief, rehabilitation and reconstruction activities

**HOW THE CSR ACTIVITIES SHALL BE UNDERTAKEN BY THE COMPANY, AS PER ITS STATED CSR POLICY?**

The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through

(a) a company established under section 8 of the Act or a registered trust or a registered society, established by the company, either singly or along with any other company, or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature:

Provided that- if, the Board of a company decides to undertake its CSR activities through a company established under section 8 of the Act or a registered trust or a registered society, other than those specified in this sub-rule, such company or trust or society shall have an established track record of three years in undertaking similar programs or projects

(c) Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of

respective companies are in a position to report separately on such projects or programs in accordance with these rules.

(d) Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track records of at least three financial years

**FOLLOWING ACTIVITIES SHALL NOT BE CONSIDERED AS CSR ACTIVITIES:**

- Contribution of any amount directly or indirectly to any political party shall not be considered as CSR activity.
- The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.

## **CSR amendments under the Companies (Amendment) Act, 2019**

Until now, if a company was unable to fully spend its CSR funds in a given year, it could carry the amount forward and spend it in the next fiscal, in addition to the money allotted for that year.

The CSR amendments introduced under the Act now require companies to deposit the unspent CSR funds into a fund prescribed under **Schedule VII of the Act** within the end of the fiscal year. This amount must be utilized within three years from the date of transfer, failing which the fund must be deposited in to one of the specified funds.

The new law prescribes for a monetary penalty as well as imprisonment in case of non-compliance. The penalty ranges from INR 50,000 (US\$700) to INR 2.5 million (US\$35,000) whereas the defaulting officer of the company may be liable to imprisonment for up to three years, or a fine up to INR 500,000 (US \$7,023), or both.

The government, however, is reviewing these rules after the industry objected to the strict provisions, especially with respect to the jail terms for CSR violations, and is yet to operationalize them.

## **Principles on CSR**

Universal Declaration of Human Rights: Adopted by United Nations, this declaration paved way for many international human rights standards for all sectors entities. UN Global Compact: An international multi-constituent, voluntary initiative based on internationally accepted ten principles in pursuit of a more

sustainable inclusive global economy. The ten principles covers human rights forced labor, child labor, environmental challenges and responsibility, non discrimination, freedom of associations, collective bargaining, corruption, etc.

**Global Reporting Initiative (GRI):** Since its founding in 1997, the GRI has been addressing the need for standardized approaches to corporate sustainability reporting. In 2006, GRI published Version 3.0 (G3) of its Sustainability Reporting Guidelines emphasizing performance indicators, which contain a separate section titled “Human Rights” with nine performance indicators.

**Organization for Economic Co-operation and Development (OECD):** OECD guidelines contains recommendations on core labor, environmental standards, human rights, competition, taxation, science and technology combating corruption and safe guarding, consumer rights.

**Social Accountability 8000: ‘SA 8000’** standard for social accountability, created in 2000 by the Council on Economic Priorities Accreditation Agency (CEPAA). SA8000 developed by an international coalition of businesses, trade unions and non-governmental organizations (NGOs) on the basis of International Labor Organization (ILO) conventions - the Universal Declaration of Human Rights and the UN convention on the Rights of the Child. The SA8000 code of practice is broken down into nine key areas child labor, management systems, working hours, compensation, disciplinary practices, forced labor, health & safety, freedom of association & collective bargaining and discrimination.

**Principles for Responsible Investment (PRI):** A set of global best practice principles for responsible investment. It provides a framework for achieving better long term investment returns and more sustainable markets.

**Equator Principle:** Equator principle is a set of environmental and social benchmarks for managing environmental and social issues in development project finance globally. They were developed by private sector banks- led by Citigroup, ABN AMRO, Barclays and WestLB and were launched in June 2003. Role of



International Labor Organization (ILO): ILO seeks the promotion of social justice and internationally recognized human and labor rights. It formulates international labor standards in the form of conventions and recommendations setting minimum standards of basic labor rights. International Organization for Standardization (ISO) 26000: ISO an International Standard setting body is developing a new standard on Social Responsibility namely ISO 26000 to be published in Nov., 2009. ISO 26000 is intended for use by all types of organizations and in all countries and to assist organization to operate in a socially responsible manner. Occupational Health & Safety Advisory Services (OHSAS) Standard: OHSAS 18001 is applicable to any organization which aims to establish a health and safety management system at work.

## **CSR in Asia**

In Asia, the concept of CSR is taking firm hold. Like India, there are a number of good examples of alliances and networks promoting the essence of CSR amongst businesses and the general public alike. Partners in Change of the South Asian Alliance for Responsible Business: building networks and alliances in the South Asia region, Partners in Change is a founder member of South Asian Alliance for Responsible Business (SARB), in partnership with CII. SARB seeks to further the cause of CSR in South Asia. The group comprises participants from Nepal, Pakistan, India, Bangladesh and Sri Lanka and is in the process of developing a CSR Self-Appraisal Toolkit for use by corporate sector. The larger stakeholder and intermediary consultation which this exercise would entail is being affected through an e-group route. CSR Asia was founded in Hong Kong in 2004 to provide information and develop tools for CSR in the Asia-Pacific Region. CSR Asia, in association with its partners (such as Centre for Social Markets, CSR in China, etc.), publishes specialized reports, provides training and education on CSR issues, facilitates stakeholder dialogues and undertakes customized contract research for multinational and NGO clients. CSR Asia also informs people about CSR issues as they arise through their daily internet news service, online news database and online weekly CSR Asia Newsletter.

## **The Asia-Pacific**

### **CSR Group**

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society. In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment (Shinde, 2005). It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR. After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and

business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs of. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company was started the concepts of “Social Responsibility.” (Gupta, 2007) The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then refined by Wartick and Cochran (1985). In Sethi’s 1975 three-level model, the concept of corporate social performance was discussed, and distinctions made between various corporate behaviors. Sethi’s three tiers were ‘social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive) (Cochran, 2007). The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations (Mohan, 2001). This was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest sum 47 percent was spent through company programs, 39 percent was given to outside organizations as aid and 14 percent was spent through

company trusts (Working Document of EU India CSR, 2001). In India as in the rest of the world there is a growing realization that business cannot succeed in a society which fails. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status (Bajpai, 2001). According to Infosys founder, Narayan Murthy, ‘social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment’. Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relation with stakeholders(Bajpai, 2001). Over the time four different models have emerged all of which can be found in India regarding corporate responsibility (Kumar et al., 2001). CSR needs to be understood within this context captured in the development oriented CSR framework given below:

Table 1: The four models of Corporate Responsibility (Arora & Puranik 2004)

<b>Model</b>	<b>Focus</b>	<b>Champions</b>
Ethical	Voluntary commitment by companies to public welfare	M.K Gandhi
Statist	State ownership and legal requirements determine Corporate responsibility	Jawahar Lal Nehru
Liberal	Corporate responsibilities limited to private owners (shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders- customers, employees, communities, etc.	R. Edward Freeman

## **CSR Initiatives: Industry Association Initiative:**

Leading Chambers of Commerce and Industry of India are traditionally active in social and environmental norms. Federation of Indian Chambers of Commerce and Industry (FICCI), CII works closely in partnership with Government. CII in partnership with UNDP set up India Partnership Forum to promote multi stakeholders approach to CSR. Social Development Council (SDC) set up by CII, ensures corporate participation in social development and provides an institutional base for social activities of the corporate sector. Progress, Harmony and Development chambers of commerce and Industry (PHDCCI) has major interventions in family welfare and rural development. Associated Chambers of Commerce and Industry of India (ASSOCHAM) through their members provided drinking water in 110 villages by 1996 on occasion of its platinum Jubilee. Bombay Chambers of Commerce and Industry (BCCI) have been consistently on issues of populations and civic conditions in Mumbai.

### **Company Initiatives:**

An internet-based survey was conducted to understand the philosophy & deployment of CSR as practiced (innovatively and in a sustained manner) for National and International organizations.

### **Roundtables and Networks in India:**

Corporate Roundtable on Development of Strategies for the Environment and Sustainable Development - Business Council for Sustainable Development (CoRE-BCSD) of India is a grouping of Indian corporate trying collectively and individually to build in sustainable development concepts into their operations. The

British Council's CSR Network: Towards promoting CSR and generating awareness and interest amongst young future business leaders.

### **CSR Surveys:**

In the context of India, CSR studies were few and limited. Singh and Ahuja 1983 conducted the first study in India on CSR of 40 Indian public sector companies for the years 1975-76 and found that 40 percent of the companies disclosed more than 30 percent of total disclosure items included in their survey. Raman (2006) used content analysis technique to examine the chairman's message section in the annual reports of the top 50 companies in India to identify the extent and nature of social reporting. This study concluded that the Indian companies placed emphasis on product improvements and development of human resources (Raman, 2006). According to a survey done by Partners in Change 2000, which covered 600 companies and 20 CEOs for judging Corporate Involvement in Social Development in India 85 percent agreed that companies need to be socially responsible; only 11 percent companies had a written policy; over 60 percent of the companies were making monetary donations; health, education and infrastructure were most supported issues. From 2000 onwards, 4 important surveys have been conducted, which give significant macro level conclusions about Indian corporate. The first and second surveys were carried out in 2001 and 2002 by Business Community Foundation for TERI-Europe. The survey sought to explore the perception of workers, company executives and general public about social, economic and environmental responsibilities. It was found that all companies irrespective of size or sector have awareness of CSR and its potential benefits. Many companies were collaborating with NGOs, have labor and environmental policy guidelines in place. A third survey was jointly conducted in 2002 by CII, United Nations Development Program (UNDP), British Council (BC) and Price

Water Coopers (PWC). The most striking features of the responses to the survey is that the respondents are in near unanimity that CSR is very much a part of the domain of corporate action and the passive philanthropy is no longer sufficient. A significant proportion of respondents, recognize CSR as the mean to enhance long-term stake holder value. The fourth survey, the Karmyog CSR rating 2007-08 is for the largest 500 companies. Karmayog is a platform for the Indian non-profit sector providing research on CSR activities of Indian companies. It rated the 500 largest Indian Companies based on their CSR activities. The companies were rated on 0 to 5 levels based on criteria's like products & services, reach of CSR activities, expenditure on CSR, harmful processes etc.

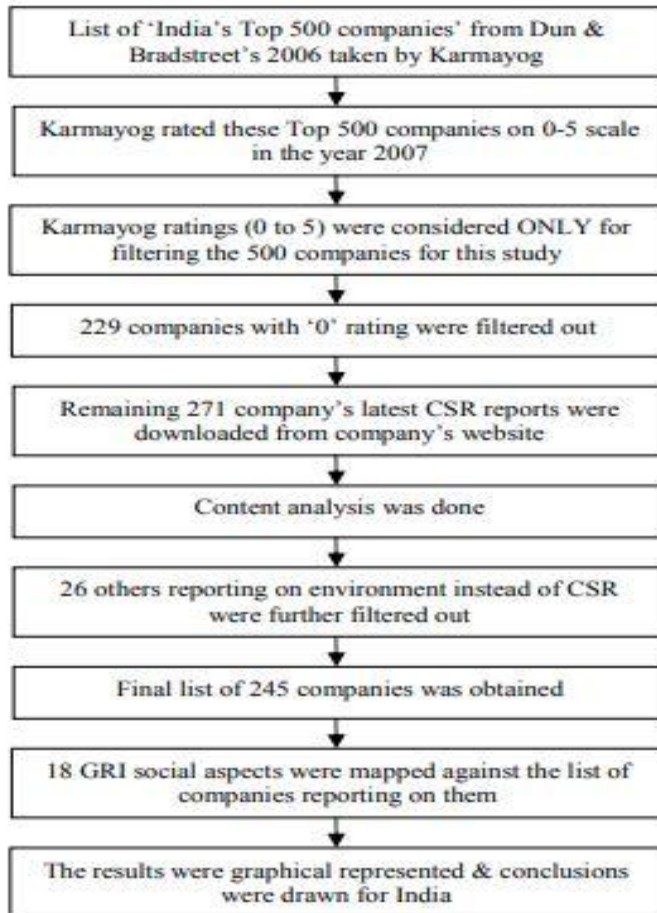
## **CSR Study**

Karmayog's research (fourth survey) was kept as base & further research was extended to find out the current scenario of CSR activities in India. For this, firstly the social aspects by organizations like OHSAS, GRI, and ISO etc were streamlined for compilation & better understanding. Then, a list of 500 companies taken by Karmayog from Dun & Bradstreet's 2006 edition of 'India's Top 500 companies' was made. Karmayog rated these companies on a '0-5' scale based on information from the company's website and latest annual report. Out of 500 companies, 229 companies got a '0' rating and thus were filtered out for not showing any CSR activity or producing cigarettes/tobacco products & liquor. For the rest 271 companies annual reports / CSR reports were downloaded & its content analysis was done. It was found that around 26 companies are reporting on environment in the name of CSR. These were dropped out from the list, so a final list of 245 companies was obtained on which the further work was performed like downloading CSR related reports from the websites and studying the same, etc. The assessment of 245 companies was done by mapping their reported aspects



against the 18 GRI social aspects which are globally accepted & most widely used. The GRI social aspects were clubbed as Society Performance Indicators, Human Rights Performance Indicators, Labor Practice & decent work Indicators, and Product Responsibility indicators. The CSR reports (245 companies) were thoroughly examined & its content analysis was done to find out the use of GRI aspects, CSR initiatives & special innovations. A binary code of '0' & '1' was allocated for 'not using' & 'using' the particular indicator respectively. The assessment was based on four criteria: the social indicators tracked by the company, the innovativeness in CSR on a 5 point scale, linkage of CSR initiatives to business, and focus area of CSR in each company. The results have been presented graphically in Table 2. Table

2: Flowchart depicts step wise methodology used for carrying out the study



## Examples of CSR in India

### Tata Group

The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it has engaged in women empowerment activities, income generation, rural community development, and other social welfare programs. In the field of education, the Tata Group provides scholarships and endowments for numerous institutions.

The group also engages in healthcare projects, such as the facilitation of child education, immunization, and creation of awareness of AIDS. Other areas include

economic empowerment through agriculture programs, environment protection, providing sports scholarships, and infrastructure development, such as hospitals, research centers, educational institutions, sports academy, and cultural centers.

### **Ultratech Cement**

Ultratech Cement, India's biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programs, education, infrastructure, environment, social welfare, and sustainable livelihood.

The company has organized medical camps, immunization programs, sanitization programs, school enrollment, plantation drives, water conservation programs, industrial training, and organic farming programs.

### **Mahindra & Mahindra**

Indian automobile manufacturer Mahindra & Mahindra (M&M) established the K. C. Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company primarily focuses on education programs to assist economically and socially disadvantaged communities.

Its CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs. M&M runs programs such as Nanhi Kali focusing on education for girls, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas.

## **ITC Group**

ITC Group, a conglomerate with business interests across hotels, FMCG, agriculture, IT, and packaging sectors has been focusing on creating sustainable livelihood and environment protection programs. The company has been able to generate sustainable livelihood opportunities for six million people through its CSR activities.

Their e-Choupal program, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers. It's social and farm forestry program assists farmers in converting wasteland to pulpwood plantations. Social empowerment programs through micro-enterprises or loans have created sustainable livelihoods for over 40,000 rural women.

## **Infosys**

Infosys is one of the early adopters of **Corporate Social Responsibility**. They have taken up projects like the restoration of water bodies in Karnataka and metro station construction in partnership with Bangalore Metro Rail Corporation Limited. Also, they are making a contribution in Sports through their GoSports Foundation. Their CSR initiative also includes a relief fund for Tamil Nadu, Karnataka and Kerala.

## **Reliance**

Reliance has taken up the initiative of securing the life of villagers of Balangir district. They have a life insurance programme for them. The "Education for All" initiative was launched to provide access to quality education in India to

everybody. They work to protect the right to education of underprivileged children, girl-child and differently-abled. They also contribute to disaster relief funds.

### **Tata Steel**

Tata Steel, for the last 100 years, has been committed to the social development and upliftment of Jharkhand. The agenda of their CSR committee is to improve the quality of life of the communities it operates in. They also launched a train called “Lifeline Express” in 1991, a running hospital, that serves the needy regions of India. They have done numerous done AIDS awareness programmes.

### **AMUL**

Over the years, Amul has contributed to rural health and development through Tribhuvandas Foundation. They have also established Swarnjayanti Gram Swarozgar Yojana, a holistic self-employment programme in Kheda district. They also successfully run tree plantation drives, blood donation camps and rural sanitation programmes. They also provide scholarships through their Amul Scholar schemes.

### **Cafe Coffee Day**

The beloved coffee shop, Cafe Coffee Day, employs 50 speech and hearing impaired people at their various outlets as staff. They do this as a part of their CSR activity as a move towards equal employment. They called them the ‘Silent Brew-masters’. CCD also has tie-ups with NGO Enable India to empower differently-abled people. Their biggest CSR initiative is the SVGH Vocational Training College in Chikmagalur, Karnataka.

## **P&G**

“Shiksha – Padhega India, Badhega India” is a crucial part of Procter & Gamble’s CSR. THE Shiksha initiative has, till date, helped about 280,000 underprivileged children to get access to their right to education. They have also built & supported over 140 schools across India.

## **Wipro**

Wipro makes its contribution to education and upliftment through Wipro Care. Not just education, Wipro addresses disaster relief and rehabilitation and health and wellness programmes for the needy as well through Wipro Care. They have also launched Wipro Eye that promotes ecological sustainability in its operations.

## **DLF**

DLF is India’s largest real estate company. Initiated in the interest of educating children of construction workers, Swapana Sarthak Informal School was established. They have also set up employable vocational training centres under the banner of DLF LIFE. They’ve also set up DLF Inspire to improve the quality of life of underprivileged children.

## **The methodology of CSR**

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

- **Customers;**

A customer is an individual or business that purchases another company's goods or services. Customers are important because they drive revenues. Without them, businesses can neither survive nor thrive.

All businesses compete with other companies to attract customers, either by aggressively advertising their products, by lowering prices to expand their [customer bases](#), or by developing unique products and experiences that customers love. Think Apple, Tesla, Google, or TikTok.

### Studying Customers

Businesses frequently study their customers' profiles and behaviors to fine-tune their marketing approaches and tailor their [inventory](#) to attract more customers.

Customers are often grouped according to demographics such as age, race, gender, ethnicity, income level, and geographic location, all of which may help businesses cultivate a snapshot of the "ideal customer" or "customer persona."

This information helps companies deepen existing customer relationships and reach untapped consumer populations to increase traffic.

Customers are so important that colleges and universities offer [consumer behavior](#) courses dedicated to the study of customer behavioral patterns, choices, and idiosyncrasies. These courses focus on why people buy and use goods and services and how those decisions impact companies and economies.

Understanding customers enables businesses to create effective marketing and advertising campaigns, deliver products and services that address needs and wants, and retain customers for long-term repeat business.

## **Suppliers;**

A supplier is an entity that provides goods and services to another organization. This entity is part of the supply chain of a business, which may provide the bulk of the value contained within its products. Some suppliers may even engage in [drop shipping](#), where they ship goods directly to the [customers](#) of the buyer.

A supplier is usually a manufacturer or a distributor. A distributor buys goods from multiple manufacturers and sells them to its customers.



## **Example of a Supplier**

A shoe manufacturer buys components for its shoes from a group of suppliers. One supplier provides it with rubber heels, while another supplier provides it with tanned leather. A third supplier provides it with the buckles to be used on selected shoe models, while a fourth supplier provides the thread used to stitch shoes together.

- **Environment;**

Environment can be defined as a sum total of all the living and non-living elements and their effects that influence human life. While all living or biotic elements are animals, plants, forests, fisheries, and birds, non-living or abiotic elements include water, land, sunlight, rocks, and air.

- **Communities; and,**

A **community** is a social unit (a group of living things) with a shared socially significant characteristic, such as place, set of norms, culture, religion, values, customs, or identity. Communities may share a sense of place situated in a given geographical area (e.g. a country, village, town, or neighborhood) or in virtual space through communication platforms. Durable good relations that extend beyond immediate genealogical ties also define a sense of community, important to their identity, practice, and roles in social institutions such as family, home, work, government, TV network, society, or humanity at large. Although communities are usually small relative to personal social ties, "community"

may also refer to large group affiliations such as national communities, international communities, and virtual communities.

The English-language word "community" derives from the Old French *comuneté* (Modern French: *communauté*), which comes from the Latin *communitas* "community", "public spirit" (from Latin *communis*, "common").

Human communities may have intent, belief, resources, preferences, needs, and risks in common, affecting the identity of the participants and their degree of cohesiveness.

- **Employees.**

To better understand the answer to, “What is an employee?”, it is beneficial to review its definition. An employee is a business professional who performs specific duties based on the job role. These are professionals who work for a private company or a government agency. They collect an hourly wage or a fixed salary based on their work agreement. Companies hire different employees for different functions, and It is important for business owners to properly classify employees for tax purposes.

When compared to full-time employees, a part-time employee works fewer hours. Usually, the traditional workweek of an employee might vary from 30 to 40 hours a week. Many employers do not provide the same benefits and perks package to part-time employees as they provide to full-time employees. Often, companies prefer hiring part-time employees for job positions that do not require full-time work. They may also choose to hire

multiple part-time employees to ease the work stress on their full-time employees.

The most effective CSR plans ensure that while organizations comply with legislation, their investments also respect the growth and development of marginalized communities and the environment. CSR should also be sustainable – involving activities that an organization can uphold without negatively affecting their business goals.

Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into 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.

## **WHAT IS CORPORATE SOCIAL RESPONSIBILITY?**

**Corporate Social Responsibility** is a transformational initiative or activity practised by Indian corporations. Mandated by the government, it is a positive step towards collective upliftment and well-being of the community. The CSR activities in India need to be in alignment with the socio-economic development of the society in some way or the other.

## **IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITIES**

While CSR is a BIG step by companies for making a powerful change, let's be frank, it also means an enhanced overall reputation. For companies, it is also a powerful statement through which they convey what they stand for. It helps its employees, people and the company itself contribute to something that is bigger than its own needs. CSR also gives employees a sense of belonging. It strengthens the bond among employees and attachment towards the organization as well.

**Corporate social responsibility** goes a long way in creating a positive word of mouth around the organization as a whole. It plays a great role in making brand publicity. When people hear about **CSR activities** by a company, they intuitively develop a positive feeling for the brand. They tend to lean towards brands that take a stand. 2% might sound like a small amount, but large companies generate profit in crores. It is a huge contribution and brings about a big change towards the welfare of society and the development of the country.

### **CSR Activities – Meaning**

There is no definitive description that can define **Corporate Social Responsibility** activities completely. Still, to help understand and get an idea of

what comprises of CSR, it has been defined under the CSR Rules. The definition of **CSR activities** is as follows:

- Programs or projects which are relating to activities specified in the Schedule 7;  
or
- Programs or projects which relating to activities that are undertaken by the Board in that have been recommendations of the **CSR Committee** as per the declared CSR policy. This would be subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR suggests that it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. While qualifying **listed companies** must engage in **CSR activities in India**, flexibility has been given to the company and **CSR committee** to decide which areas of development they want to contribute in. The activities taken up must be compulsorily displayed on the company website (if any).

### **The Companies Act, April 2013**

The **Companies Act** 2013 has formulated Section 135 and is landmark legislation that makes **Indian companies** answerable to the government about their CSR expenditure. India is the first country to make the incorporation of **Corporate Social Responsibility** activities mandatory for qualifying companies. It is, for sure, a remarkable step towards growth, overall development and humanity.

Be it a **private sector** company or a public sector company, **Corporate Social Responsibility CSR** has to be adhered to by all **listed companies**. If a company falls in either of the following criteria for compulsion, they need to form a **CSR committee**. Companies:

- That has a **net worth** of Rs. 500 crores or more, or
- That have an annual **turnover of Rs.** 1000 crores or more, or
- That generate a profit **of Rs.** 5 crores or more.

During any financial year, if any of the above financial strength criteria are met then the rules of Section 135 apply. Prior to the compulsion of the Corporate Social Responsibility clause, **CSR activities in India** were voluntary for the **listed companies**. However, it was mandatory for them to disclose their CSR spending to their shareholders. Under the **Companies Act**, the preference has to be given to local areas in which the company operates.

### **THE CSR COMMITTEE AND POLICIES**

The qualifying companies are required to form a CSR committee. They are needed to spend at least 2% of its average net profit for the 3 previous consecutive financial years on CSR initiatives. Mandatorily, a CSR committee has to be formed by the qualifying company. It also has to appoint at least 3 Board of Directors (Board). This Committee is responsible for preparing and recommend to the Board, a policy and a plan that will specify the CSR activities to be undertaken (CSR Policy). They would also suggest (and protect) the amount of expenditure to be incurred on the activities referred. Monitor the implementation of CSR Policy and activity is also their job. The Board will analyse the recommendations and suggestions made by the CSR Committee and support the CSR Policy and activities of the company.

## **The Role Of The Board Of Directors In CSR**

The significant role of the board of directors of a company plays a crucial role in the **CSR activities** of the company. The role of the Board includes:

- Approval of the Corporate Social Responsibility policy.
- Ensuring that the CSR plan gets implemented in its entirety.
- Full disclosure of the spends and plan of CSR policies which are related to its report.
- Displaying the same on the company website.
- Making sure that specified amount allotted is being spent by the company in **CSR activities**.
- Though there is no penalty if the entire amount is not spent on **CSR activities in India**, the CSR committee and the board's report should include the reason for the short spending.

## **TYPES OF CSR ACTIVITIES UNDER SCHEDULE VII OF THE COMPANIES ACT 2013**

The following are the types of **CSR activities in India** that the qualifying **listed companies** under the **Companies Act 2013** can contribute to:

### **(I) Eradicating Hunger, Poverty And Malnutrition**

This can be done by promoting health care and sanitation in rural areas. This can also be a contribution to the Swach Bharat Kosh which has been set-up by the Central Government. Blood donation camps can also be done as a part of a company's CSR initiative.

## **(Ii) Promoting Education**

This can be inclusive of providing education to children and essential vocational skill training that enhance employment or special education among women, elderly and the differently-abled.

## **(Iii) Promoting Gender Equality.**

Women empowerment programmes can be launched by setting up affordable hostels for women. Establishing old age homes, daycare centres and other facilities for senior citizens is another option. Orphanages can also be set up and managed by the **CSR committee**.

## **(Iv) CSR Initiatives Related To The Environment**

Contributions can be made towards environmental sustainability. Activities that help in maintaining the ecological balance, protection of flora and fauna, promote animal welfare, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government.

## **(V) Protection Of National Heritage, Art And Culture:**

This can include the restoration of heritage sites, buildings of historical importance and works of art. Public libraries can be set up as well.



**(Vi) Measures Can Be Taken Towards The Benefit And Support Of Armed Forces Veterans, War Widows And Families.**

**(Vii) Contributions To The Prime Minister's National Relief Fund Or Any Other Fund Set Up By The Central Government, For Welfare, Development And Relief Of The Schedule Caste, Tribes, Other Backward Classes, Women And Minorities.**

**(Viii) Contributions Or Funds Provided To The Development Of Technology Located Within The Central Government Approved Academic Institutions.**

**(Ix) Contributions Can Be Made Towards Rural Development Projects And Slum Area Development.**

## **Conclusion**

Business houses all over the world are realizing their stake in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective strategic policies and adopt various instruments according to the company history, its content, peculiarity in relationship with its different stakeholders so that CSR can be best implemented towards its goals – sustained environmental, social and economic growth. This research explores the existing literature available on CSR. The literature review shows trends, definitions starting from the early days of 1950s when CSR was in its budding stage. As of now, the trends have changed and CSR affects not only the company's reputation and goodwill but also govern the financial performance. It was analyzed that the reporting practices range from the very sophisticated and well-established system to "a brief mention of CSR" in the annual report. CSR reporting will continue to improve globally, but the information it contains would need to be standardized. A feature noticed in the development of CSR reporting is the influence of several

international and local organizations with different frameworks, indices, directives and initiatives etc. Many of these initiatives are voluntary but are likely to hinder rather than assist the development in the reporting systems. India's markets continue to exhibit a profusion of negative externalities where the costs of resource use, environmental degradation, or community disruption are neither paid by those who incur them nor are reflected in actual prices. Today's economic framework gives little encouragement for companies to consider the long-term – the essence of true sustainable development. There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. Analysis of several surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice.