

## **CORPORATE SOCIAL RESPONSIBILITY IN THE WAKE OF COMPANIES ACT 2013: CONCEPTUAL ANALYSIS**

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### **ABSTRACT**

The Concept of CSR in India is not new, but the term may be. The Process through acclaimed recently. It has been followed since ancient times informally. Philosophers likes, Kautilya and Gandhi (Ethical Model) From India preached and promoted ethical principles while doing business. During last century, CSR has moved quite a far from religious/Philanthropy to a strategy. After the Companies Act 2013, Companies have now Started reporting their CSR activities in their annual reports along with financial results, not because it has become mandatory for corporates to ensure that they spends, in any financial year, at least 2% of the average net profit, made during their immediate preceding financial years but because they have understood it well that, financial performance is entwined with good social and environment performance. This initiative is going to have two fold effects viz. , it will pay attention to various social sectors and activities including education, health, hunger poverty, gender equality and women empowerment etc. Especially in remote and under developed areas and secondly, it will ensure compulsory contribution of corporate to the society

**Key Words :** *Corporate Social Responsibility, Companies Act 2013, Strategy, Philanthropy, Initiatives.*

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## Introduction

Corporate Social Responsibility trends shifted among corporates, now it is considered as an integral part of the business objectives, Long-term strategy, which includes addressing issues related to poverty, health education, environment and employment. In India, companies like Bharti, Reliance, ITC, Infosys, TATA and Indian Oil are some of the leading companies, emphasizing on CSR and playing a crucial role in empowering growth through sustainability measures. The ideal of corporate Social responsibility has been discussed throughout the twentieth century, but it was Howard R. Bowen's book on Social Responsibilities of businessmen" published in 1959, which was the origin of the modern debate on the subject. Corporate Social Responsibility is nothing but what an organization does positively to influence the society in which it exists. It could take the form of community relationship, volunteer assistance programs and scholarship, prevention of cultural heritage and beautification of cities. The philosophy is basically to give back to the society, what business has taken from it, in the course of its quest for creation of wealth.

From the perspective of profit maximization, companies are interested in integrating CSR with marketing plan to address heavy competition and product differentiation available in market. Companies are realizing that, to gain customer loyalty and to prompt the consumers to opt them from other competing products, it is imperative to go with trends and project a distinct brand image that is of being socially responsible corporate citizen.

## Corporate Social Responsibility Defined

Corporate Social Responsibility is 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. The United Nations Industrial Development Organization Defines CSR as "a management concept whereby companies integrate social and environment concern in their business operation and interaction with their stakeholders." Thus CSR spending by a firm is a way of giving back to the society in which it is doing business and making profits. Howard R. Bowen defines CSR as an "Obligation to pursue those policies, to make those decisions or to follow those lines for action, which are desirable in term of the objectives and values of our society". Whereas Mallen Baker refers to CSR as "a way companies manage the business process to produce an overall positive impact on society." According to World Business Council for Sustainable Development "Corporate Social Responsibility is 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”.

## **Objectives**

Key objective of this paper is to study CSR with the newly introduced Companies Act 2013, It present an overview comprehending concept associated dimension, models and drivers of CSR with special reference to India on the light of recently introduce Companies Act, 2013

## **Methodology**

Secondary source of data has been referred in this paper, so as to understand the concept of CSR, CSR approaches and worldwide phenomenon of CSR. Newly introduce Companies Act, 2013 in Indian is the basic of discussion in this paper. Various other publications, research, articles, newspaper articles are also referred

## **Global Phenomenon of CSR**

Globalization contributes a major impact on the world economy and, thus it lead to CSR being a common theme around the world. NGO, trade unions approach the companies questioning about their commitments to the society. National policy makers, International organizations (EC, ILO, and UNHCR) are required to ensure that CSR maintains its voluntary nature and companies have their discretion in their service to the society. In the case of developing countries, CSR has long term impact. The same has been emphasized in Millennium Development Goals (MDG), 2000, which aim to address various issues, including poverty, hunger and disease, greater survival prospects for mother and their infants, education, equal opportunities for women and a healthier environment. CSR is one of the prominent initiatives to address various challenges in different regions. In a detailed analysis carried out by Simon Z. et al. (2007), 108 countries were ranked to form responsible Competitiveness Index (RCI) ranking on the basis of three indicators, namely, policy drivers, business action and social enablers. “Policy drivers” measure the strength of public policies and soft power that encourage responsible business practice. “Business action” measure the application of governance, social and environmental good practices, code and management system, while the “Social enablers” measure the social and political

environment that enable business, government and civil society organization to build effective collaboration to reshape markets. RCI provides a country- level index exploring through quantitative analysis of the relationship between national competitiveness and the national state of corporate responsibility. RCI analysis represents that mature or development nations and European countries in particular are most advanced in embedding responsible business practice at the heart of their economics. Thirteen of the „Top 20“ RCI rankers (See Table-1 for Top 20 RCI ranking) are European countries, which include Hong Kong, Japan, Singapore from Asia; Canada, United States, Australia and New Zealand. However, in RCI ranking, India stands at 70<sup>th</sup> position, much below in the list.

**Table 1, Responsible Competitiveness Index (RCI) of Top 20 Countries (2007)**

RCI Rank	COUNTRY	RCI INDEX	POLICY DRIVERS	BUSINESS ACTION	SOCIAL ENABLERS
1	Sweden	81.5	86.0	90.2	74.7
2	Denmark	81.0	89.9	86.9	76.6
3	Finland	78.8	83.9	84.1	76.7
4	Iceland	76.7	83.5	74.9	86.3
5	UK	75.8	88.8	75.9	76.6
6	Norway	75.5	83.8	77.3	75.9
7	New Zealand	74.9	88.6	72.2	80.0
8	Ireland	74.6	85.0	73.8	78.1
9	Australia	73.0	82.7	73.6	73.3
10	Canada	73.0	83.7	72.5	74.8
11	Germany	72.7	81.8	74.8	70.1
12	Netherland	72.6	81.6	75.0	69.5
13	Switzerland	72.5	87.8	74.5	65.7

14	Belgium	71.9	86.1	70.1	73.0
15	Singapore	71.3	83.7	74.4	63.5
16	Austria	70.9	84.1	71.6	67.2
17	France	70.1	76.9	69.2	73.6
18	United States	69.6	72.6	72.1	68.6
19	Japan	68.8	80.7	68.9	65.7
20	Hong Kong, China	68.3	84.5	68.9	60.6

Source: Simon Zadek and Alex MacGillivray (2007)

### **CSR – A New Dimension under the New Companies Act 2013**

Newly introduced companies Act 2013 is having the concept of mandatory CSR, which is introduced for the first time. Leading India to be the first country to mandate CSR through a statutory provision. CSR provision has been introduced under clause 135, which ensures to constitute a Corporate Social Responsibility Committee (CSRC) of the Board, for every company having net worth of RS.500 crore or more, or turnover of Rs.1000 crore or more or a net profit of Rs.5 crore or more during any financial year shall constitute a corporate social responsibility Committee of the board consisting of three or more directors, out of which at least one director shall be an independent director.

The Corporate Social Responsibility Committee shall:-

1. Formulates and recommends to the board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII
2. Recommend the amount of expenditure to be incurred on the activities referred to in clause (a)
3. And monitor the Corporate Social Responsibility Policy of the company from time to time.

4. The board of every company referred to in sub clause (I) shall after taking into account the recommendation made by the Corporate Social Responsibility Committee, approve the CSR Policy for the company and disclose content of such Policy in its report and also place it on company's website, if any, in such manner as may be prescribed; and
5. Ensure that activities as are included in CSR policy of the company are undertaken by the company

## Drivers of CSR

Some of the forces that are making corporations increasingly conscious of their social responsibilities are given below:

- **Globalisation:** Firms in local and foreign markets are facing increasing competition due to globalisation. In order to succeed in the face of global competition companies want to improve their image by meeting the expectations of various stakeholders.
- **Pressure from Investors:** Institutional Investor both from home and abroad want to invest in socially responsible companies. They take into account social and environmental policies and level of ethics in different companies while buying and selling their shares and debentures companies which create wealth for investors have an easy access to capital market.
- **Good Employees relation:** Socially responsible companies are able to attract and retain talent. People want to work in companies which offer's healthy, safe and comfortable working environment. Socially responsible behavior also helps to improve employee motivation and morale and to reduce employee absenteeism and employee turnover.
- **Image Building:** A company can build a good public image through CSR activities. These activities help to strengthen the company's relationship with its supplier, distributors, government and community.
- **Increase in market share:** costumers prefer buying the products ethically and socially responsible firms, CSR activities help to improve a company's market position and brand loyalty.
- **Legal Requirement:** The law now requires companies to disclose all the material information in its report, listed companies must abide by all the stipulated requirement

under clause 49 of the listing agreement. Global firms have to meet international accounting and reporting standard.

- **Risk Cover:** A company can protect itself from several risks by having a genuine care for the society CSR activities reduce the risk of sudden damage to reputation and economic performance. Now financial institutions take into account social performance and environmental impact of companies while evaluating the risk of lending.

### **Major CSR Initiative Taken by Major Indian Companies**

- **Ashok Leyland:** Operates a Fun Bus in Chennai and New Delhi. This bus, equipped with a hydraulic lift, takes differently able children and those from orphanages and corporation primary schools on a day's picnic. The company also runs AIDS awareness and prevention programmes in its House factories for about 3.5 lakh drivers.
- **Axis Bank:** The Axis Bank Foundation runs Balwadis which are learning places for children living in large urban slums clusters. It also conduct skills development programmes (PREMA and YUVA Parivartan) in motor driving , welding, mobile repairing, tailoring, etc. for the youth in backward districts.
- **Bharat Petroleum Corporation:** It's rain water harvesting project Boond, in association with the Oil Industries Development Board, select draught-stricken villages to turn them from „water-scare to water-positive'. Some of BPCL's other social programmes include adoption of village, prevention and care for HIV/AIDS and rural health care.
- **Hindalco Industries:** It's CSR activities are concentrated in 692 villages and 12 urban slums, where it reaches out to provide safe drinking water, In education, it award scholarship to student from the rural schools it support. Its other interest includes women's empowerment and health care, in which it treats patients in hospitals, run medical camps and operates rural mobile medical van services.
- **Indian Oil Corporation:** It runs the Indian Oil Foundation, a non-profit trust, which works for the prevention and promotions of the country's heritage. IOCL also offers 150 sports scholarship every year to promising youngster. Some of its other initiatives lie in the domains of clean drinking water, education, hospital, and health care.
- **Infosys:** The Infosys science Foundation, set up in 2009, gives away the annual Infosys Prize to honors outstanding achievement in the field of science and

engineering. The company supports causes in health care, culture and rural development. In an interesting initiative undertaken by it, 100 school teachers in Karnataka, who were suffering from arthritis, under went free surgery as a part of week-long program

- **Mahindra & Mahindra:** Nanhi kali, programs run by the KC Mahindra Education Trust, supports education of over 75000 underprivileged girls. The Trust has awarded grants and scholarship to 83,245 students so far. In vocational training, the Mahindra pride school provides livelihood training to youth from socially and economically disadvantaged communities. M&M also works for causes related to environment, health care, sports and culture.
- **Oil and Natural Corporation:** It offers community -based health care services in rural areas through 30 Mobiles Medicare Units. The ONGC-Eastern Swamp Deer conservation Project works to protect the rare species of Easter Swamp Deer at Kaziranga National Park in Assam ONGC also supports education and women empowerment.
- **Tata Steel:** It comes out with a Human development index (HDI), a composite index of health, education and income levels, to assess the impact of its work in rural areas. Health care is one of its main concerns. The Tata Steel Rural Development Society aims to improve agriculture productivity and raise farmer's standard of living.
- **Tata consultancy Services:** It's Computer Based Functional Literacy (CBFL) initiative for providing adult literacy has already benefited 1.2 lakh people. The program is available in nine Indian Languages. Besides adult education, TCS also works in the areas of skills development, health care and agriculture.

## CONCLUSION:

It is valuable for companies to engage in CSR, not only for the benefit of society and economy but also for its own benefit. Global trends on CSR also indicate a more active approach towards participation of the corporate sector in CSR due to the various drivers which force the corporate to take initiative towards CSR. This concept is emerging in all nations and in the near future will not need any legislation to gain importance for the companies to understand and fulfill their duty towards society. It is clear from the study that in India several companies have taken the initiative towards the social responsibility. New Companies Act 2013, will surely help in establishing CSR committee in an organized and



transparent manner. It will also ensure a sustainable growth in Indian economy. It will pay attention to various social sectors and activities including education, health, hunger & poverty, gender equality and women empowerment etc. Especially in remote and under developed areas and secondly, it will ensure compulsory contribution of corporate to the society

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