

Corporate Social Responsibility in India: Evolution Continuum of Philanthropic Practices

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Received: Feb. 02, 2018

Accepted: March 12, 2018

ABSTRACT

Concept of Corporate Social Responsibility (CSR) began from philanthropy and evolved into responsibility towards workers, their families, the local community and society at large. The term CSR was popularised in the 60's and over the years has become a formidable part of business operations. In current times, CSR helps to bridge the gap between privileged corporate and disadvantaged society. The developed nations lay huge emphasis on CSR and issues related to CSR attract a great deal of attention. CSR is all about returning to the society. Business now-a-days integrate social environment and ethical responsibilities to ensure their success and sustainability. This paper traces the growth of CSR practices in India through the passage of time. It tries to put into perspective the trends in CSR activities. RESEARCH METHODOLOGY: This paper is based on review of secondary data. The data has been obtained from several research papers, books and articles and relevant information available on web.

KEY WORDS: CSR, Philanthropy, Companies Act 2013, Sustainability.

INTRODUCTION

Guru Nanak's three guiding principles, 'Kirt Kar, Naam Jap, Vandd Chhak', rightly emphasises on the concept of working and sharing your earnings with others. The practice of Sikh religion also propagates donating one-tenth of the income towards charity and is referred to as 'Daswandh'. Merchants from Hindu faith also donated to the poor and got temples and night shelters built for them. Islam too, has a law called 'Zakaat', which states that a certain percentage of earnings must be shared in the form of donations to the poor. So, religion has undoubtedly played an important role in promoting the concept of CSR in India. The concept of CSR dates back to Mauryan times, where Chanakya emphasized on ethical business practices. So history of CSR in India progressed alongside its historical development. Business is an integral part of the society and hence has greater responsibility towards it. It aligns its policies and practices with the needs and expectations of several stakeholders.

THE PHASES OF EVOLUTION OF CSR DEVELOPMENT IN INDIA

The evolution of CSR practices in India can be best understood by categorizing it on a continuum comprising of different phases, dwell community engagement, socially responsible production and socially responsible employee relations.

FIRST PHASE

In the first phase the main drivers were noble deeds of philanthropists and charity. CSR practices during this period which lasted till late 1800s were largely influenced by family values, traditions, culture and religion and industrialization. The rich businessmen shared their income and wealth with the people, by building temples or religious institutions. They helped the society in times of epidemics and famines, by opening up their granaries for the poor and hungry. The influence of the colonial rule also saw a shift in the approach to CSR, and the industrialist families like Tatas, Godrej, Birlas, strongly favoured economic as well as social considerations. They promoted the concept of CSR by setting up educational and healthcare institutions, charitable trusts and institutions for community development. Their efforts are considered to be not only influenced by selfless and religious motives but were also driven by political objectives.

SECOND PHASE

The second phase ran parallel to India's Independence struggle, in the early 20th century. During this period, Indian industrialists were under pressure to demonstrate their dedication towards benefit and progress of the society: Mahatma Gandhi introduced the concept of trusteeship, to assist in the socio-economic growth of India. Gandhiji's words on trusteeship, "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories". He urged the industrialists to act towards nation building

and socio-economic development. The Mahatma, considered the Indian Companies to be like ‘Temples of Modern India’. His influence on industrialists and business houses led to setting up of trusts for building schools, colleges and establishing training and scientific institutes. These trusts supported the reforms initiated by Gandhiji for rural development, empowerment of women, education and to abolish untouchability.

THIRD PHASE

The third phase, post Independence, saw the emergence of Public Sector Undertakings to ensure fair distribution of wealth on equitable basis. The PSUs were put in the forefront with the purpose of making it the prime mover of development. Policy was formulated with regard to industrial licensing and imposing high taxes and restriction on private sector, leading to corporate malpractice. This resulted in the enactment of stringent laws regarding corporate governance, labour and environmental issues. This period was also referred to as an “Era of Command and Control “. However, the PSUs did not perform well and there was a shift in expectations from the public to private sector. A workshop on CSR was organised at national level, in 1965 by academicians, businessmen and politicians and greater emphasis was laid upon social accountability transparency and regular stakeholder dialogues.

FOURTH PHASE

This phase started from 1980 onwards to present. It witnessed the shedding of conventional CSR practices and integrated CSR into a sustainable business strategy. The 1990s saw, the LPG model being initiated. With partial withdrawal of licensing systems and lessened controls led to boom in the economic growth. The companies grew at an increasing pace and this made IT viable for them to contribute towards social cause. The companies perspective of charity got replaced by responsibility. Globalization brought India on the world map and made it the India international destination for manufacturing by MNCs. The increasing concern about labour and environmental standards, made Indian Companies, pay close attention to compliance with international standards.

CSR PROVISIONS IN COMPANIES ACT 2013

The Companies Act 2013, has under Section 135, and Schedule VII prescribed mandatory provisions for Companies to fulfil their Corporate Social Responsibility. These are stated as follows:

1. Every company having net worth of 500 crore INR and more, Or annual turnover of 1000 crore INR and more, Or a net profit of five crore INR and 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.
2. The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
3. The Corporate Social Responsibility Committee shall —
 - i. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
 - ii. recommend the amount of expenditure to be incurred on the activities referred to in clause (i); and
 - iii. monitor the Corporate Social Responsibility Policy of the company from time to time.
4. The Board of every company referred to in sub-section (1) shall —
 - i. after taking into account the recommendations made by the Corporate Social Responsibility Committee, 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, if any, in such manner as may be prescribed; and
 - ii. ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.
5. The Board of every company referred to in sub-section (1), shall 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, in pursuance of its Corporate Social Responsibility Policy; provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities; provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

ACTIVITIES WHICH HAVE BEEN SPECIFIED IN SCHEDULE VII of Companies Act, 2013 which might be included by companies in their Corporate Social Responsibility Policies are as per the following:

- ❖ Eradicating hunger, poverty and lack of healthy sustenance, advancing health care including preventive health care and sanitation [including commitment to the Swachh Bharat Kosh set-up by the Central Government for the Central Government for the advancement of sanitation] and making available safe drinking water.
- ❖ Promoting education, including special education and employment enhancing job aptitudes especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- ❖ Promoting gender equality, empowering women, setting up homes and hostels for women and vagrants; setting up maturity homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically in reverse gatherings.
- ❖ Ensuring environmental supportability, ecological balance, protection of widely varied vegetation, creature welfare, agro forestry, conservation of normal resources and keeping up quality of soil, air and water
- ❖ Protection of natural heritage, workmanship and culture including restoration of structures and sites of historical importance and works of art; setting up public libraries; promotion and development of customary craftsmanship and handicrafts.
- ❖ Measures for the benefit of armed forces veterans, war widows and their dependents.
- ❖ Training to promote rural sports, nationally recognized games, Paralympics sports and Olympic sports.
- ❖ Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled tribes, other backward classes, minorities and women.
- ❖ Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- ❖ Rural development projects.
- ❖ Slum area development.

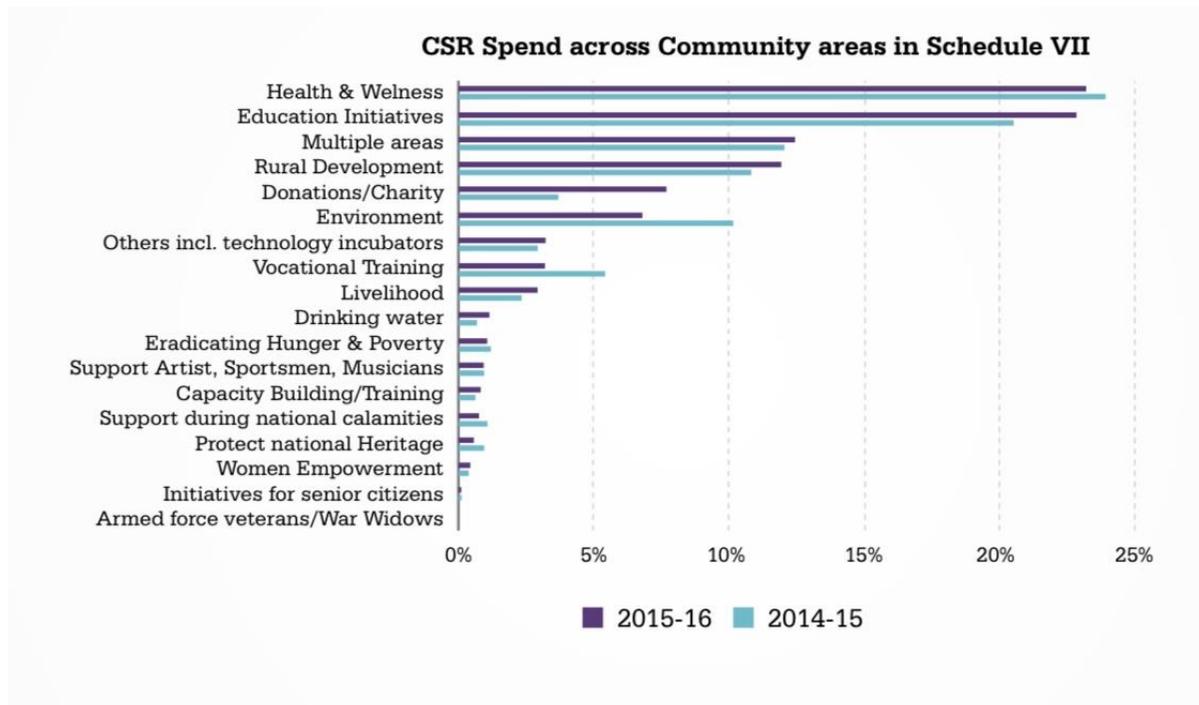


Fig. 1 (Source: Responsible Business Rankings 2017, IIMU & Futurescape)

As per the data depicted in Figure 1, there has been an increase in spending in the areas of education, donations, livelihood, drinking water. However, health & wellness, vocational training and environment related spending saw a major drop.

CSR PRACTICES FOLLOWED BY INDIAN COMPANIES

India is the first nation in the world to make Corporate Social Responsibility legally mandatory, by certain categories of companies, after the amendment in the Companies Act, 2013. Corporates have contributed and continue to do so towards strengthening the country both socially and economically. A review of the CSR practices being undertaken the most by prominent companies are discussed below:

TATA Group of Companies

“Businesses need to go beyond the interests of their companies to the communities they serve” – Ratan Tata
The TATA Group operates more than 80 companies ranging from steel, automobiles, software, consumer goods, telecommunications to consultancy and many more. It is largest private employer in India with more than 2 lakh employees on the rolls. TATA group has to its credit the initiation of various labour welfare practices in the early 20th century, which were later enacted into laws. The group’s founder, Mr. Jamshedji Tata, used to sponsor higher studies abroad in 1890’s. India owes its first scientific as well as atomic centre to the TATA’s.

Corporate Social Responsibility is ingrained in the company’s ideology. CSR practices carried out by few of the TATA companies, has been discussed as follows:

- 1) TATA Motors –At Tata Motors, the philosophy of giving back to the society is being followed in the past 60 years and more. Within 5 years of its inception in 1950, it began with its endeavours in CSR. It took initiatives for rural development in Jameshpur and the focus was on infrastructure development and community service provider approach. Over the years these programmes were adopted pan India. It has consolidated the existing programmes under the umbrella of Ankur and 4 thematic areas – Health (Aarogya), Education (Vidyadhanam), Employability (Kaushalya) and Environment (Vasundhara). Tata Motors has undertaken activities with regard to pollution control by adopting Euro norms and through use of CNG vehicles. It has also planted over 8,000 trees to restore ecological environment.
- 2) TATA Steel – The company spends 5-7% of its profits on several CSR initiatives. It operates 500 Self-help groups, which engage in women empowerment programs in villages and income generation through micro enterprises. It also supports several social welfare organisations for rural development, helping visually impaired and hearing impaired children and tribal culture etc.
- 3) TATA Chemicals – The company was the first organisation to run world’s first hospital on wheels, in Jamnagar district, in 2004.
- 4) TATA Tea – It runs Srishti Welfare Centre at Munnar, Kerala and has four projects under it. These help family members and relatives of employees in special education, vocational training and rehabilitation.

Mahindra & Mahindra

Mahindra Group is an Indian multinational conglomerate with operations in over 100 countries. It has market leadership in utility vehicles and tractors. The corporate social responsibility efforts of the company have over the years focussed on education and skilling, health, rural development and environment. The Late K.C. Mahindra, founded the Education Trust in 1953, with the objective of promoting literacy and higher learning in India.

Project Nanhi Kali was initiated in 1996 and has supported 31,000 girls across 13 states in India (Annual Report 2016-17). The Mahindra Pride Schools (MPS) offer livelihood training to youth from socially and economically weaker sections of society. These provide a 90-day intensive programme with domain specific training in 4 verticals – IT enabled Services, Customer Relationship Management, Hospitality and Automotive and grooming and soft skills. In the drought prone Vidharbha region, Mahindra has partnered with Naandi Foundation to deliver sustainable local nutritional security and assured prosperity to farmer families. The efforts boosted the cultivation of Pomegranate in 1000 acres. The company also holds several cultural festivals and theatre awards to connect with the communities.

Ultratech Cement

Ultratech Cement is a flagship company of Aditya Birla Group. Its Corporate Social Responsibility endeavours are channelized through Aditya Birla Centre for Community Initiatives and Rural Development. The key focus areas are education, healthcare, sustainable livelihood, infrastructure and social reform.

The company’s CSR activities are concentrated in 407 villages in proximity to its 22 plants, most of these are located in distant rural areas and tribal belts. It has converted 80 villages into model villages. Over 35,000 students have benefitted from special coaching classes and career counselling program. 840 Self-help groups have empowered 8,000 households. Around 26,000 farmers have been helped in agricultural and horticultural activities. It has, in collaboration with the Government of India’s Swachh Bharat Abhiyan, built individual toilets and provided sanitation facilities, making villages free from open defecation.

Infosys

The Infosys Foundation augments healthcare infrastructure by building hospital wards, rest houses and providing medicines. It has donated more than INR 50 crore to expand hospitals across India. In association with Sankara Netralaya it is working on a vision of blind-free India. It has joined hands with Swami Vivekananda Integrated Rural Health Centre (SVIRHC) and has treated leprosy patients, tuberculosis patients and conducted free eye surgeries.

It has partnered with Chennai Mathematical Institute to upgrade its infrastructure and encourage students for higher studies, especially in science and mathematics. It started the Spark-IT program in 2014 , a three-month course to provide technology and communication skills training.

ITC

ITC set up internet kiosks or e-Choupals in over 40,000 villages which provided the farmers with real time, latest, relevant information on weather, prices, agricultural knowhow and best practices etc.

Its Afforestation Programme provides clonal saplings developed by ITC R&D, to help turn their unproductive land into profitable pulpwood plantations. Its women empowerment programme encourages women to start a corpus fund with a grant from ITC. The fund is used to finance small businesses and micro enterprises. Sanitation Self-help groups, agarbatti producers etc. use seed money from ITC to set up and run income-generating enterprises.

Responsible Business Rankings

India’s Top companies that engaged in Responsible Business, as per the Rankings calculated by IIM Udaipur in collaboration with Futurescape for the years 2014, 2015 & 2016, reflected in Table 1 and Table 2.

Rank (2015)	Company	Rank (2014)	Company
1	Tata Steel Ltd.	1	Mahindra & Mahindra Ltd.
2	Tata Power Company Ltd.	2	Tata Power Company Ltd.
3	UltraTech Cement Ltd.	3	Tata Steel Ltd.
4	Mahindra & Mahindra Ltd.	4	Larsen & Toubro Ltd.
5	Tata Motors Ltd.	5	Tata Chemicals Ltd.
6	Tata Chemicals Ltd.	6	Tata Motors Ltd.
7	ITC Ltd.	7	GAIL (India) Ltd.
8	Shree Cements Ltd.	8	Bharat Petroleum Corporation Ltd.
9	Bharat Petroleum Corporation Ltd.	9	Infosys Ltd.
10	Larsen & Toubro Ltd.	10	Jubilant Life Sciences Ltd.

Table 1: India’s Top 10 Companies CSR Rankings for the years 2014 & 2015.
 (Source: Responsible Future, Economy, Environment, India, ET.)

Rank (2016)	Company	Rank (2015)	Company
1	Tata Chemicals Ltd.	1	Tata Steel Ltd.
2	Tata Steel Ltd.	2	Tata Power Company Ltd.
3	Tata Power Company Ltd.	3	UltraTech Cement Ltd.
4	Shree Cements Ltd.	4	Mahindra & Mahindra Ltd.
5	Tata Motors Ltd.	5	Tata Motors Ltd.
6	UltraTech Cement Ltd.	6	Tata Chemicals Ltd.
7	Mahindra & Mahindra Ltd.	7	ITC Ltd.
8	ACC Ltd.	8	Shree Cement Ltd.
9	Ambuja Cements Ltd.	9	Bharat Petroleum Corporation Ltd.
10	ITC Ltd.	10	Larsen & Toubro Ltd.

Table 2: India’s Top 10 Companies CSR Rankings for the years 2015 & 2016.
 (Source: Responsible Business rankings 2017, iimu.ac.in)

The tabulated data shows that TATA group companies have secured four places in the top 10 for three consecutive years, thereby showing consistency in its commitment towards community and nation. Few other companies have also managed to retain their place in top 10.

CONCLUSION

For decades, Indian companies and businesses have viewed and carried out CSR as a philanthropic activity. However, a shift in perspective is witnessed, post amendments in the Companies Act, whereby Section 135 made it mandatory for the organisations to comply with the spending of a designated percentage of earnings and Schedule VII of the Act listed a set of activities to be carried out. Focus has moved from institutional building to sustainability. The businesses are being aligned in a more strategic manner to integrate the CSR into its core operations. There is more transparency in reporting of CSR activities by companies on their official websites, publishing CSR and Sustainability reports and annual reports. The coming years will reveal how the understanding of CSR undergoes a change and the new perspective gets enforced at the ground level.

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