

CSR- BEING RESPONSIBLE, NEW MANTHRA FOR ORGANIZATIONAL SUCCESS AND NATIONAL DEVELOPMENT

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Abstract

The outlook of CSR in India has reformed from mere charity and donations to become a vital portion of an organization to become successful. Though the concept of CSR is in force since the mid of 19th century, it has got prominence in the modern era where contemporary technologies, which reduced the distance between the consumer's behavior and organizations activities. Hence, the organizations are forced to become socially responsible to gain competitive advantage and to enhance the strength of their brand to ensure better performance and profitability. By making CSR mandatory, the Government wants the corporate to find a solution for the income disparity in India which is increasing rapidly. In a country where one-third of the population is uneducated, two-thirds the population are a lake of access to appropriate sanitation facility, and 400 million people still earn just US\$2 a day, and at the same time, India ranked third according to Hurun's Global Rich List 2018, after China and the USA. According to the report, 170 billionaires in India and the list is increasing day by day. It is a real danger signal and requires immediate and effective attention. The two per cent mandate CSR can answer India's social problems to a great extent. Companies which ruin the environment and aims only on its profit, the CSR policy envisages a system by which they will be returning to the society its wealth, health and conserve a sustainable relationship with the society at large.

Introduction

Even as India has experienced economic growth, it has dropped behind several comparable countries in terms of basic quality of life. To recognize the challenges, it is significant to look at some basic physiognomies of India's economy. In India one-third of the population is uneducated, two-thirds lack access to suitable sanitation, and 400 million people still alive on less than US\$2 a day, world's second major population and extensive urban and rural poverty. The task is to bridge the breach between the haves and the have-nots. It is imperative to emphasis on inclusive growth as it is interconnected with key challenges that the government faces of agricultural and social sector development, poverty reduction, reduction in regional discrepancies and environmental protection, increase in quantity and quality of employment. Further to obtain the demographic dividend, India needs to succeed the demand and supply of skills and labour more sensibly and use this window of opportunity to invest in education, healthcare and job creation. There is a broader recognition both within the government and across industry that India needs inclusive growth in order to reduce poverty and other socio economic disparities in order to sustain economic growth. Consecutive governments have introduced projects to promote inclusive growth, however, in a nation with the scale and size of India, corporate sector participation is vital for affecting a broader and deeper impact.

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There is a need for the public and private sector in India to have approaches that complement each other and enable the process of cooperation and innovation to promote new ways of enabling inclusive growth. The government should work at the macroeconomic level to ensure an environment that fosters private sector participation without leading to distortions like monopolies or wealth being accumulated in a few hands. At the micro level, reducing income and non-income related inequity, improving public infrastructure, healthcare, education, access to markets, accountability, women's empowerment, recognizing the role played by civil society establishments and good governance. These initiatives could make it possible to integrate rural and urban India in terms of economic opportunities and quality of life along with sustaining high growth rates. These thoughts provoked the Government to have a common mechanism where the companies those are gaining profit by ruining the atmosphere, health and wealth of the society, has to give back a pie of their profits to uplift the society there by participating in the national development. Thus, the idea of Corporate Social Responsibility got strengthened and made it mandatory on 2013. CSR is the biggest opportunity both for the public and private sector to contribute simultaneously to nation building efforts and solution to global problems, by making an integrated effort through using financial, human, infrastructural, technical, administrative, organizational, religious and spiritual resources. Sustainable growth and inclusive development from a multidimensional perspective are the broad intentions of CSR all over the world. An attempt has been made to realize the power of CSR and its present condition in India after making it mandate.

Corporate Social Responsibility

Corporate Social Responsibility is not a mechanism but a way of doing business where by institutions had started realizing its significance in governing the competitive circumstances prevailing in the national as well as international market, for customer retention, and supportable growth. Today the outlook of business shifted to customer- centric and the business establishments has to ensure high class products and services concurrently providing worth for money, treating employees impartially and at the same time ensure environmental responsive methods of manufacture, design, recycle and conserve natural resources of the country. Effective from 1 April 2014, 2013 Regulation Act states that companies whose net worth is of Rs.500 Cror whose revenue sums up to Rs. 1,000 Cr or whose net profit is of Rs. 5 Cr will have to devote 2% of their average profit of preceding three years on CSR. The activities can array around numerous social developmental activities cited in the Schedule VII of the Act like education, healthcare, rural enlargement, cleanliness and others.

Historical prospective of CSR

Prehistoric Indian environment perception was holistic in its approach and it sprang from the Upanishadic gospel 'Vasudhaivakudumbakam' (all the beings of the whole universe belong to the same family). Vedic literature and the Hindu epics have evidently indicated out rules and code of conduct for people belonging to all walks of life. The Bhagavad-Gita¹ contributes visions on "dharma" which in simple terms means one's moral duty. According to Lord Krishna in Bhaavad Gita, Karma refers to the totality of our actions and is accountable for the cycle of birth and rebirths. "As we sow, so we reap", goes the axiom and thus we are answerable for our conducts and action. A man has four key objectives in life: Dharma (righteousness), Artha (Human effort and attempt towards material pursuits), Kama (desire) and Moksha (salvation). Individuals according to their nature, temperament and stage of life pursue one or more of these goals in their life. Businessman activities towards material pursuits (artha) and this ought to be done by following dharma (righteous methods). Karna Parva In the Mahabharata, explains "dharma" sustains the society, "dharma" preserves the social order; "dharma" safe guards well-being and improvement of humanity, "dharma" is surely that which fulfils these intentions. Regarding charitable actions and the assistance of distress among the poor, most of the major religions support or require their followers to charity. This is most obvious in Islam where the institution of Zakat (a wealth tax comprising compulsory charitable giving for specially designated groups in society²), facilitates the care of weaker members of society. Judaism reflects its origins as the religion of an enslaved people and therefore places particular emphasis on the relief of poverty.

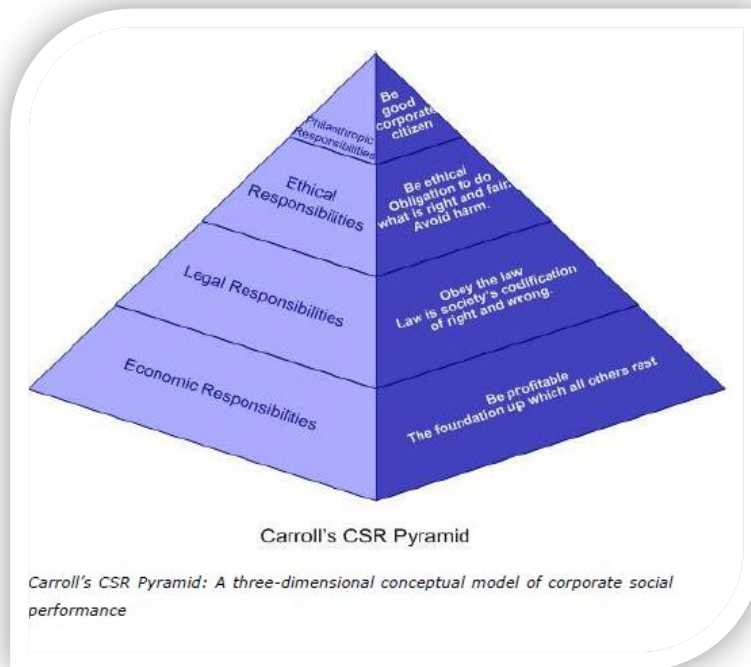
Corporate social responsibility up till the 1950's was virtuously in terms of patronage or charity. Welfare programs were announced not as a obligation or a accountability but as a practice of charity that was supposed to signpost the qualities the organization. In late 19th century India partaken not only in freedom struggle but in the nation-building procedure thereafter. Preceding the independence of India, in 1944, a set of anxious industrialists came out with an improvement plan for India called the Bombay Plan. During 1950s/1960s, influenced by Gandhian viewpoint of trusteeship - most of the businessmen in India saw their business empires as a trust held in the interest of community at large. Carroll³ (1979) here that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and

¹Dr. Balakrishnan Muniapan, "The duty and action for corporate social responsibility from the perspectives of Vedantha" by School of Business & Design, Swinburne University of Technology (Sarawak Campus), Malaysia,

²Kennedy, E.J. and Lawton, L (1998), "Religiousness and Business Ethics", Journal of Business Ethics 17(2), 163-175.

³Abbott, W. F. and Monsen, J. R. (1979), "On the measurement of corporate social responsibility: Self-reported disclosure as a method of measuring corporate social involvement", Academy of Management Journal, 22, 501-515.

philanthropic.



Carroll explains the social responsibilities to be followed by a business entity are

Economic Responsibilities	Legal Responsibilities	Ethical Responsibilities	Philanthropic Responsibilities
It is vital to achieve in a manner dependable with maximizing incomes per share	It is essential to execute in a manner reliable with anticipations of government and law	It is imperative to achieve in a way regular with outlooks of societal mores and ethical norms.	It is vital to execute in a manner steady with the philanthropic and charitable hopes of society.
It is imperative to be committed to being as profitable as possible	It is significant to comply with various local, state and central regulations	It is vital to recognize and respect new or evolving ethical moral norms adopted by society.	It is significant to assist the fine and performing arts.
It is vital to maintain a competitive position	It is vital to be a law-abiding citizen.	It is essential to prevent ethical norms from being compromised in order to attain corporate goals.	It is imperative that managers and employees participate in voluntary and charitable events within their

			local communities.
It is vital to maintain a high level of efficiency	It is imperative that a successful firm be defined as one that accomplishes its legal obligations	It is vital that good corporate citizenship is well-defined as doing what is predictable morally or ethically.	It is key to provide support to private and public educational Institutions.
It is vital that a successful firm be defined as one that is dependably profitable	It is imperative to provide goods and services that at least meet minimal legal necessities	It is imperative to identify that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.	It is essential to support voluntarily those projects that augment a community's "quality of life."

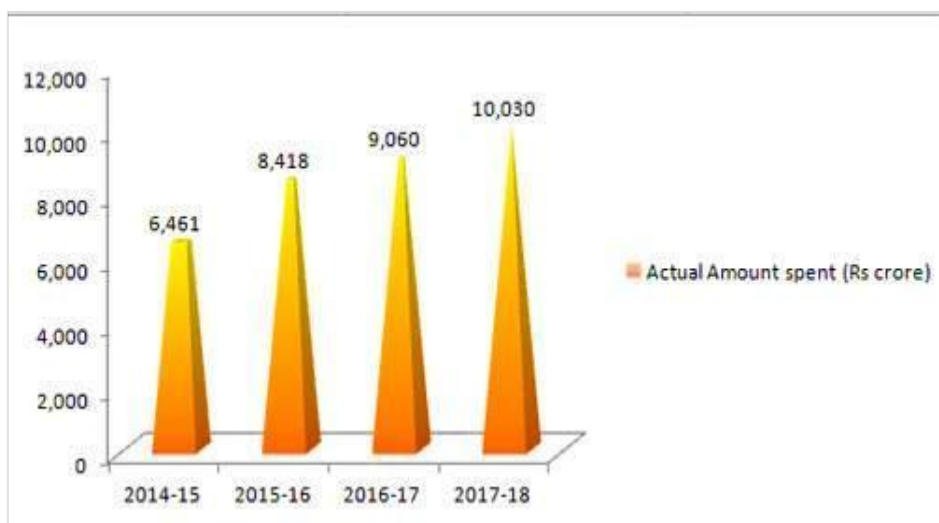
CSR in India after making mandatory

The CSR law, which came into existence in April 2014, mandates companies, subject to the provisions of the Act, to invest two per cent of their net profit in CSR projects. Companies with net worth of Rs.500 Cr and above or revenue of Rs.1,000 Cr and above or net profit of Rs.5 Cr and above have to devote two per cent of average net profits of last three years. This study tries to investigate that performance of CSR for the last three years.

The Corporate Social Responsibility (CSR) spend by companies listed on NSE perceived an increase of 11 per cent to INR 10,030 crore in 2017-18⁴. CSR expenditure by companies registered at NSE has grown-up at a strong Compounded Annual Growth Rate (CAGR) of 16 per cent over the last 4 years. Out of 1,794 companies presently listed on the NSE, 1,708 companies were listed as on March 31, 2018, excluding companies which have been suspended or delisted subsequently (balance 86 have got listed subsequent to April 2018). Of these 1,708 companies, annual reports for 2017-18 have been released by 1,627 companies. Of these 1,627 companies, 1,550 had details relating to CSR given in the annual reports, while no such details were available for the balance 77. Finally, of the 1,550 companies, 1,080 were obligated to devote on CSR, up from 1,009 companies in 2016-17. This analysis is based on these 1,080 companies. The average net profit of these 1,080 companies over last

⁴Data from nseinfobase.com

three years was Rs. 5.35 lakh Cr. As per CSR necessities, the amount mandatory to be spent by them was Rs. 10,707.06Cr. However, Rs. 1,717 Cr eventually remained unspent. The final actual CSR spending by these companies, though, was Rs. 10,030 Cr, primarily because some companies disbursed more than what was mandated or decided earlier by them, representing an increase of nearly 11 per cent. With improved contribution, the number of companies which spent on CSR went up to 1,016 (94 per cent of the 1080 companies) in 2017/18 from 931 (92 per cent) in 2016/17. The balance 64 companies, despite being mandated, did not spend anything.



Source: Business standard

Analysis of the CSR data

CSR spends by companies listed on NSE over last 4 years (years from which CSR is mandate)

	2014-15	2015-16	2016-17	2017-18
No. of companies under the provision of CSR	895	920	1009	1080
No. of companies involved in CSR	865	893	931	1016
Average Net Profit of last 3 years (Amount in Cr)	4,09,174	4,51,744	4,80,069	5,35,353
CSR budget	8183.48	9034.88	9601.38	10707.06
Actual amount spent	6421	8418	9060	10030

Amountunspent	2455	1891	1574	1717
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Schedule-wise Spends

Schedule VII	Amount Spend (In Crores)			
	2017-18		2016-17	
	Amount	%	Amount	%
Hunger, poverty and healthcare	2508.61	25	2394.40	27
Education and vocation skills	3816.89	38	3384.67	37
Reducing Inequalities	224.62	2	246.04	3
Environmental Sustainability	1181.94	12	947.28	10
National Heritage	392.60	4	245.99	3
Armed Force Veterans	52.99	1	73.13	1
Sports	225.55	2	202.73	2
PM's Relief Fund	171.68	2	71.40	1
Technology Incubators	37.51	0	43.54	0
Rural Development	1068.19	11	1109.82	12
Slum Development	37.87	0	44.50	0
Total	9718.44		8763.46	
Community development	102.44	1	90.55	1
Others	52.75	1	39.62	0
Administrative Expenses	156.72	2	140.88	2

Company-wise Spends

The top 10 companies in terms of CSR spend in FY 2017-18 were as follows:

Company	Amount			Rank		
	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16
Reliance Industries Ltd	745.04	659.20	651.57	1	1	
Oil & Natural Gas Corporation Ltd	503.44	525.90	409.01	2	2	3
TATA Consultancy Services Ltd	400.00	379.71	294.23	3	3	4
HDFC Bank Ltd	374.54	305.42		4	4	
IOCL	331.04	213.99		5	8	
Infosys Ltd	312.60	289.44	202.30	6	5	8
ITC Ltd	290.98	275.96	247.50	7	7	5

NTPC Ltd	241.54	277.81	491.80	8	6	2
TATA Steel Ltd	231.62	193.61	204.46	9	9	7
Wipro Ltd	186.60	186.30		10	10	
NMDC			210.09			6
Power Finance Corporation			196.88			9
ICICI Bank			171.51			10

The top 10 companies together spent 36.06 % of the total spend on CSR.

On the other hand, there are 345 companies which missed the mandatory spending of 2% of net profit (361 in 2016-17). The top 10 companies in terms of highest unspent amount in 2017-18.

Company	CSR Budget	Actual CSR spent	Unspent amount
BharatiAirtel Ltd	214.63	27.80	186.83
REC Ltd	161.95	49.46	112.49
Hindustan Zinc Ltd	189.64	92.18	97.46
TATA Consultancy Services Ltd	497.00	400.00	97.00
Kotak Mahindra Bank Ltd	73.97	16.17	57.80
Lupin Ltd	75.05	21.68	53.80
General Insurance Corporation of India	71.09	17.91	53.18
Axis Bank	186.82	133.75	53.07
Indusind Bank Ltd	70.17	20.47	49.70
LIC Housing Finance Ltd	50.79	6.70	44.09

The top 10 states in terms of increase in amounts received from last year were as follows

State	No.of Companies	Amount Received 2016.17 (Cr)	No.of Companies	Amount Received 2017-18 (Cr)	Increase (Cr)
Maharashtra	537	685.03	586	817.30	132.27
Gujarat	431	502.13	466	610.85	108.71
Delhi	396	310.07	417	408.54	98.47
West Bengal	368	298.42	377	383.21	84.79
Rajasthan	393	410.54	414	486.70	76.16
Andhra Pradesh	344	330.39	354	380.37	49.99

Madhya Pradesh	351	338.72	357	386.86	48.14
Uttar Pradesh	386	335.96	401	380.37	44.41
Jammu & Kashmir	294	179.79	289	220.35	40.56
Uttarakhand	336	251.85	337	291.05	39.20

Major Findings

- Indian companies have changed from traditional charity/philanthropy to Corporate Sustainability
- CSR is the only tool available towards the present social problems in India
- Many companies associated activities such as tree plantation drives, philanthropic activities, and charitable donations to CSR. This shows that there is a dearth of proper understanding of CSR.
- In the past four years since the introduction of the mandatory CSR spends, the spending by the NSE-listed companies has grown at a compounded rate of 16 percent per annum
- The CSR budget available is increasing and crossed Rs.10000 Crmark. In a country like India, the money available is huge enough to make significant change in the society.
- The CSR budget is not properly utilizing towards the actual requirement of the society. The activities happening name sake and surprised to note that the amount unspent during FY 2017-18 is Rs.1717 Cr. The unspent component of the mandatory corporate social responsibility rose to Rs. 1,717 Cr in fiscal 2018 as against Rs. 1,574 crore in the previous fiscal year.
- Even though the CSR budget is increasing, it fails to showcase its actual implications and change made to the society.
- Companies are given less priority to slum development and to minimize the inequalities which are the major hurdles to national development
- By implementing CSR strategies, the company can achieve enhanced corporate image, customer satisfaction and loyalty, public relation opportunities, increased productivity and sales, ability to attract and retain employees and customers, gain confidence of the community, investors and customers.
- In India Reliance Industries maintaining their first position in spending money towards CSR. They have spent Rs.745 Cr towards CSR
- Bharati Airtel Ltd and REC Ltd are having the highest unspent amount in CSR

- Maharashtra and Gujarat have got highest CSR spent in the Country.

Recommendations

- Government should come out with stringent punishment / penalty measures for companies which are not spending their CSR fund.
- There is not having a proper monitory mechanism with the Government to analyze and assess the actual repercussions of the CSR budget.
- There should be special audit for CSR for companies those are having the CSR budget more than Rs.10 Cr and above.
- A statutory committee should be formed in each state to assess and monitor the companies falling under CSR criteria and report their activities towards CSR, actual amount spent towards CSR and recommend the Government for penal action for those companies which are not spending /misusingtheir CSR budget.
- The CSR activates of the companies which are having a budget of Rs.10 Cr and above should be handled by a specialist CSR professional.
- The CSR activities undertaken by the companies should be published state wise in regional languages for the knowledge of the public.
- Government should come out with announcing some awards and recognitions for the best CSR practices undertaken by the companies in each state.