



Understanding Corporate Social Responsibility beyond Corporate Responsibility

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ABSTRACT

A responsibility of the companies to do something for the society and the stakeholders along with the shareholders is a corporate social responsibility. Wealth maximisation does not remain the sole goal of the companies for their shareholders. The corporate world comprises of the various people out of which shareholders, management and the board of directors are the main one, the other stakeholders are employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. The paper attempts to understand corporate social responsibility beyond corporate responsibility which has been made mandatory under the Companies Act, 2013. The amendments under the Indian Companies Act 2013 with mandatory laws has created a balance between what the companies are earning in terms of profit and what it is distributing for the benefit of the society. The study aims at understanding The Companies Act 2013 with respect to Mandatory CSR, knowing about the companies responsible for CSR and allocation of companies fund for CSR, the activities permitted under the Act for performing CSR and various CSR initiatives taken in India. The study uses the methodology based on internet based research, case studies, previous publications or review of literature. The paper concludes that development of the country is priority and basic necessity for which every organization has to come forward; which is now possible as compulsion under the Companies Act, 2013 that will help nourish and meeting the organizational as well as societal goals along with the satisfaction on the part of companies meeting such goals for a cause in the society, making healthy society and healthy business organizations. So, therefore awareness of the corporate social responsibility and its compulsion under the Act is must to know for corporate sector for the better society.

Keywords-- Corporate Social Responsibility, Companies, business, organisations

I. INTRODUCTION

A responsibility of the companies to do something for the society and the stakeholders along with the shareholders is a corporate social responsibility. Wealth maximisation does not remain the sole goal of

the companies for their shareholders. The corporate world comprises of the various people out of which shareholders, management and the board of directors are the main one, the other stakeholders are employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. Today's business world, involves all these players from the entire world due to globalisation and everything being online. So the need is to contribute companies share for social purposes. Companies can contribute in the areas of education, poverty, livelihood creation, skills and development etc. It is giving back to the society out of what is earned. It is a trust that a company creates in the society for its citizens and has led to the sustainable development. Corporate social responsibility (CSR) is also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business. The amendments under the Indian Companies Act 2013 with mandatory laws has created a balance between what the companies are earning in terms of profit and what it is distributing for the benefit of the society. In India, there are many firms which are engaged in CSR activities and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow.

II. LITERATURE REVIEW

Taghian, Mehdi et al, (2015) The key stakeholders for a company includes public, employees, unions, media, government, shareholders etc.

Denis et al (2012) argues that, the factors, community, policy, mission and vision, workforce, and environment have critical role in making CSR a very successful execution.

Ali, Imran (2011) Influence of corporate social responsibility on development of corporate reputation and customer purchase intentions are studied by Organizations are using CSR to develop competitive advantage. It was found significant positive influence of CSR on building corporate reputation of doing good and developing customer purchase intentions. It also

provided useful recommendations for the policy makers in corporate world.

According to Francesco et al (2008) the companies use different strategies as well as diverse management systems and tools to address Corporate Social Responsibility (CSR) issues along their supply chains (SCs)

According to Baron (2001) the use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy.

British pharmaceutical companies Blum-Kusterer and Hussain (2001) similarly find that regulation and technological progress are the two main drivers for sustainability innovations.

CSR thus becomes a question of stakeholder identification, involvement, and communication (Mitchell, Agle, & Wood, 1997; Morsing & Beckmann, 2006; Morsing & Schultz, 2006).

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.

Wood (1991) 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.

Davies (1973) 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'

III. NEED FOR CORPORATE SOCIAL RESPONSIBILITY

The need for corporate social responsibility is adequate disclosures and transparency of companies towards shareholders and stakeholders and fulfilling their responsibility towards society. CSR increases reputation of the company, improves public image, efficiency and satisfaction of the employees.

Improves Image in the market
if companies are doing business and along with are involved in meeting social goals then it definitely improves and build public image. So, therefore, it firm must enhance its public image.

Resource Utilisation

Effective resource utilisation in businesses can help businesses to solve various societal problems that

can be easily transformed that increases the functional capacity of the business and reputation in the market.

Business survival for Future

A better society would produce a better environment in which the business may gain long term maximization of profit. A firm can fulfil community needs by conducting programs for a better society through its business.

Government Intervention are Reduced

With mandatory corporate social responsibility, the companies are taking it as a part of their business and there is a least government intervention and regulation. The businesses are exercising their power by carefully understanding it and thereby avoiding government intervention.

IV. OBJECTIVE OF THE STUDY

The objective of the study is to understand and know about the

- 1) The Companies Act 2013 with respect to Mandatory CSR
- 2) The companies responsible for CSR
- 3) Activities permitted under the Act for performing CSR
- 4) CSR committee constitution under the Act
- 5) CSR initiatives in India

1) COMPANIES ACT 2013 AND MANDATORY CSR Corporate Social Responsibility

Corporate social responsibility is a form of business model wherein the various aspects of regulation to self are involved. The corporate social responsibility has brought out those changes which has really helped not only organisations to fulfil their desires of positive changes coming up in the society from their side but also building up of a good society that in turn is going to benefit them. The companies must be responsible for social issues along with the corporate issues. The Companies Act, 2013, enacted on 29 August 2013, aims to improve corporate governance by making simpler regulations keeping in mind the minorities and investors interests and for the first time legislates the role of whistle-blowers.

2) APPLICABILITY OF CSR ON THE FOLLOWING COMPANIES

A CSR committee must be formed by every company (whether private or public) having:

- Net Worth of Rs. 500 Crores (Rs. Five Billion) or more or
- Turnover of Rs. 1000 Crores (Rs. Ten Billion) or more or
- Net Profit of Rs. 5 Crores (Rs. Fifty Million) or more

Allocation of companies fund for CSR

The Amount to be spent as corporate social responsibility includes the following:

- 2% of Average Net Profit of the previous three financial years
- Net Profit to be calculated as per sec. 198

If there are losses borne by the company in the last two years of the current year, then also the company acts as contributor for corporate social responsibility

3) **ACTIVITIES PERMITTED UNDER THE ACT FOR PERFORMING CSR**

The various activities are mentioned in the Act that can be undertaken for performing corporate social responsibility:

- Eradicating hunger, poverty and malnutrition
- Looking after healthcare and sanitation
- Promoting education
- Various women related work
- Protecting environment
- Task related to heritage, art and culture
- Work for armed forces
- Promoting sports
- Rural development projects

4) **CSR COMMITTEE CONSTITUTION UNDER THE ACT**

CSR Committee under the Act comprises of the following:

- Three or more directors out of which at least one to be an independent director
- A committee will have no independent director in case company does not have such directors.
- A committee will have two directors in case of private company having two directors.

V. CONCLUSION

Corporate Social Responsibility is in the interest of societies and companies both. Today's business world having different players in the corporate world cannot escape from the responsibility of serving the society to the best. It is because of mandatory CSR under the Companies Act, 2013. There is a need for CSR to be done in every field. The Act has specified areas for corporate social responsibility. It improves image of the company also, leads to an effective resource utilization and business survival is also enhanced. The paper has been written to enhance the knowledge of corporate social responsibility which aims at securing the local and global environment, leads to consumer protection, and ensures accepting labor standards and respect for human rights. The amount to be spent as corporate social responsibility is 2% (Two per cent) of Average Net Profit of the previous three financial years. The paper concludes that development of the country is priority and basic necessity for which every organization has to come forward; which is now possible as compulsion under the Companies Act, 2013 that will help nourish and meeting the organizational as well as societal goals along with the satisfaction on the part of companies meeting such goals for a cause in the society. So, therefore awareness of the corporate social responsibility and its compulsion under

5) **CSR INITIATIVES IN INDIA**

Top 75 companies spent Rs 4,000 crore on CSR in 2015. The government expects total spending in the first year to top Rs 9,000 crore. The initial estimates of the government had pegged CSR spend at Rs 15,000 crore in a year.

Source: <http://economictimes.indiatimes.com/news/company/corporate-trends/top-75-companies-spent-rs-4000-crore-on-csr-in-2015/articleshow/48781453.cms>

2016 Rankings – India's Top 20 companies for CSR

The following is the list of top 20 companies for CSR

1. Tata Steel Ltd.	11. Infosys Ltd.
2. Tata Power Company Ltd.	12. ACC Ltd.
3. UltraTech Cement Ltd.	13. Indian Oil Corporation Ltd.
4. Mahindra & Mahindra Ltd.	14. Ambuja Cements Ltd.
5. Tata Motors Ltd.	15. Steel Authority of India (SAIL) Ltd.
6. Tata Chemicals Ltd.	16. Jubilant Life Sciences Ltd.
7. ITCLtd.	17. Coca-Cola India Pvt. Ltd.
8. Shree Cements Ltd.	18. GAIL (India) Ltd.
9. Bharat Petroleum Corporation Ltd.	19. Tata Consultancy Services Ltd.
10. Larsen & Toubro Ltd.	20. Hindustan Unilever Ltd.

Source: <https://www.futurescape.in/india-top-companies-for-sustainability-and-csr-2016/>

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