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IMPACT OF CSR MANDATE ON INDIAN COMPANIES

INTRODUCTION:

Corporate Social Responsibility is nothing but in the companies there will be self-regulating business model that helps a company be socially accountable- to itself, its stakeholder's and the public. By practicing corporate social responsibility which is also called as corporate citizenship.

The term corporate social responsibility (CSR) refers to practices and policies undertaken by corporations that are intended to have a positive influence on the world. The key idea behind CSR is for corporations to pursue other pro-social objectives, in addition to maximizing profits. Examples of common CSR objectives include minimizing environmental externalities, promoting volunteerism among company employees, and donating to charity.

NEED OF CSR:

The need of CSR tells that many companies view CSR as integral part of their brand image, believing that customers will be more likely to do business with brands that they perceive to be more ethical. Thus in this sense, CSR activities can be held as one of the important component of corporate public relations. Also sometimes the companies founder are motivated enough to be a part of this due to their personal convictions.

CSR IN INDIA:

India is the first country in the world to adopt CORPORATE SOCIAL RESPONSIBILITY (CSR) mandatory, following an amendment to the “Companies act, 2013” in April 2014. Businesses can invest their profits in the different areas like education, poverty, gender equality, or any other area as a part of CSR compliance. Amid the COVID-19 (corona-virus) outbreak, the Ministry of Corporate Affairs has notified that companies’ expenditure to fight the pandemic will be considered valid under CSR activities. Funds may be spent on various activities related to COVID-19 such as promotion of healthcare including preventive healthcare and sanitation, and disaster management.

The amendment notified in the Companies Act, 2013 requires companies with a net worth of INR 5 billion (US\$70 million) or more, or an annual turnover of INR 10 billion (US\$140 million) or more, or net profit of INR 50 million (US\$699,125) or more, to spend 2 percent of their average net profits of three years on CSR.

Since the applicability of the mandatory CSR provision in India in 2014, the CSR expenditure in Corporate India has increased significantly. In 2018 companies spent 47% higher as compared to the amount of 2014-2015, contributing 1 billion USD to CSR initiatives. According to the survey done the companies which are listed companies in India spent almost INR 100 billion in many programs like education, social welfare, health care, skill development and many more.

The Prime Minister Relief Fund also saw 139 percent as the contribution to CSR over last one year. Taking into account the recent amendments to CSR provisions, industry research estimates CSR compliance to improve and range between 97 to 98 percent by FY 2019-20.

CSR MANDATE ON INDIAN COMPANIES :

As we studied above how the companies are being involved in the CSR practices which involve social-benefiting aspects. When company involves in the CSR initiatives it brings with many different aspects for example we can see variety of companies involving in giving away some part of their earnings or proceeds to the charity or conducting any social awareness programs. There are 4 aspects / categories of CSR under which the company falls and involve as follows :

- 1. Environmental Efforts:** A primary focus of corporate social responsibility is the environment. This is because businesses, regardless of their size, have a large carbon

footprint. Thus, any steps they take to reduce that footprint are considered good for both the company and society as a whole.

2. **Philanthropy:** Donating to local and national charities is another way businesses practice CSR. Since businesses generally have a lot of resources, they can benefit local community programs and charities
3. **Ethical Labour Practices:** Companies can also demonstrate their corporate social responsibility by treating employees ethically and fairly.
4. **Volunteering:** A company's sincerity and goodwill in the market is boosted by attending volunteer events. Since they'd be doing good without expecting anything in return, it's considered a great CSR initiative.

Until 2014 the law enforced all the businesses around the world were involved in the voluntary contributions on CSR activities later in April of the same year India became the first one to come up with CSR regulations and held that there should be a minimum level of CSR spending for corporations that qualified based on the certain parameters. The law mandates such business to spend 2% of their net profit on specified activities. Such activities may relate to hunger, education, poverty, gender-equality etc.

Example : Recently Sri Ratan Tata Trust gave the Azim Premji Foundation \$2 Billion – which is considered as the largest Philanthropic gift in India.

The New rules of section 135 of India's Companies Act makes it mandatory for the business of a specified turnover and profitability to spend two percent of their earnings / average profits for the past 3 years on CSR. The law which stipulates that CSR activities should be undertaken only in the "project/ program" mode, provides detailed guidelines regarding what kind of activities are eligible across several categories.

According to an article on Devex , Venkatesh Kumar, director of Tata Institute of Social Sciences is quoted as saying " there are some companies who are doing exceptionally good work, there are some who are catching up, and some of them who have also not understood the concept of CSR and probably are not doing it the way it should be done".

Many large corporations are handling CSR through their foundations while midsize companies are setting up internal teams to supervise projects carried out by implementing partners.

Regardless there are some companies who found out the solution for there required expenses and started to invest in the government's priorities such as building toilets as part of Prime Minister Modi's "Clean India Mission" (Swatch Bharat Abhiyan), adopting local villages or pumping money into the Prime Minister's National Relief Fund.

After studying these aspects we feel that there are so many positive aspects and are of good causes but the question arises here is whether it is really working as the name suggest Corporate Social Responsibility does really actions match the words? Are they building real value for the companies or communities in India ? are they really effective in transforming the corporate behavior? Or is it just a way of sop to please the government and be a part of it ? But in my opinion any drastic change take some time no one can conquer the world within a day it will take take few years to see whether law really delivers the purpose and achieves the agenda.

But when the law becomes mandate or when the companies who fall under law are required to share a report on their activities and spending. Those reports must include information about the company's CSR policy, the composition of its CSR committee, the amount of CSR expenditures and details on the projects where it was spent. If the company does not spend the required amount, it must publicly disclose it and reasons for the same. If fails to do so then held liable for punishment under the act.

SUGGESTIONS :

It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. Thus, the social justice agenda of the day would be fulfilled more meaningfully.

It is noted that only medium and large corporate houses are involved in CSR activities, that too in selected geographical areas. This issue builds a case for more companies to be brought under

the CSR domain. To address the issue of reaching out to wider geographical areas, the involvement of small and medium enterprises (SMEs) in the CSR domain will be essential. It is recommended that a campaign should be launched to both spread awareness on CSR issues amongst the general public as well as to involve SMEs to participate more actively in CSR initiatives. This will help CSR reach out to other locations and cover a large number of communities and help companies play a valuable role in addressing various social and development issues. This approach will help CSR get ingrained into the DNA of core business activities of companies.

CONCLUSION:

There's no question that India faces enormous development challenges and that its only by working together that government, civil society and corporations have any hope of addressing them. Its too early to conclude. But there are many benefits the companies can enjoy if they adopt for mandatory CSR and some of them are :

- Improved financial performance;
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.