CHAPTER - 6

CONCLUSION AND RECOMMENDATION

6.1 Conclusion

The business has undergone various changes through barter system to plastic money. In this view various organizations are earning a lot of money. For moral purpose the money earned by these organizations should be spent for social development. Earlier socio-economic development was the sole responsibility of government. However due to the liberalization, Privatisation and globalisation (LPG) era. Various corporates have entered into economy. Therefore, the role of the government is also changing. The government has shifted some responsibility on the shoulder of corporates through the mandatory CSR companies act. This act will provide the direction to many corporate for socio-economic development. The finding of various companies through observation has been discussed already in chapter 5. On the basis of observation, few conclusion can be drawn.

- Under the companies act 2013, the CSR policy should be framed by corporates. However still only one third companies has formulated CSR policy as per the companies act 2013. Therefore there is a need to review the CSR policy formulation by various companies.

- Only approximately one third Indian companies has formulated CSR committee.
As far as the spending is concerned that Indian banks are yet not prepared for 2% of the net profit spending on CSR. This situation is worse in public sector banks.

Private sector banks have been spending a lot more on CSR than their peers in public sector.

The ICICI Bank emerges the best performing bank in banking sector with spending of close to 182% of the average net profit of previous 3 years while Punjab National Bank comes out as the worst performing bank on CSR with meagre 0.04% of the average net profit of previous 3 years being spent on CSR.

Most of the private sector banks have been undertaking initiative in strategic way with a journal approach towards long term impacts while public sector banks have been spending more in activities and sponsorship for NGO initiatives and welfare schemes.

One of the favourites of public sector banks is donations to relief fund.

Almost all public sector banks have contributed to Chief Minister/Prime Minister Relief funds.

Five most preferred areas in priority order are education & vocational skills, healthcare, disaster relief, financial literacy and livelihood.

The banking sector needs to spend two times more on CSR projects in financial year 2014-15 than what they have spent in last year.
• NGO's & Trusts have been preferred partners of banks when it comes to CSR project implementation.

• Some of the banks have their own foundation/trusts and implement project through there foundation/trusts.

• 28 companies has been found with INR 100 crore or above CSR budget (listed companies).

6.2 Recommendations

The research covered on various issues including current CSR practices, co-ordination between various stakeholders including private sector, Government and local communities, flagship social projects run by the private sector and role of Government to deepen and strengthen CSR within local communities and corporate sector. The activities covered under CSR activities will provide the solution for socio-economic upliftment.

1. The awareness about CSR amongst the general public to make CSR initiatives more effective should be strengthened. Awareness generation can be advertised through the media to highlight the good work done by corporate houses. The acts done by corporate houses will bring effective changes in the approach and attitude of the public towards CSR initiatives. These initiatives 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 taken by them. Therefore, the social justice agenda of the day would be fulfilled more meaningfully to make CSR more effective.
2. The partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level CSR activities. It creates barriers in implementing CSR initiatives for socio-economic development. The appropriate steps should be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives for overall development of society. Therefore, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR activities mentioned under Company’s Act 2013.

3. It has been found that only medium and large corporate houses are involved in CSR activities, that too in selected geographical areas and also in limited activities. Therefore the government should make endeavour to cover more companies to be brought under the CSR area and activities as per 2013 Act. 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 activities for development of society. The Example set by corporate houses 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 for further progress. It will help CSR to get ingrained into the DNA of core
business activities of companies for socio-economic development of the society.

4. Corporate houses and non-governmental organisations should actively consider pooling their resources and building synergies to implement best CSR practices to scale up projects and innovate new ones to reach out to more beneficiaries of the society especially at local level. It will enhance the impact of their initiatives on the lives of the common people, children and women. In order to fulfill this both corporate houses and non-governmental organisations stand to serve the people through their respective projects and initiatives as per the companies act 2013.

5. Many CSR initiatives and programmes are taken up in urban areas and localities for their development. Therefore, the impact of such projects does not reach the needy and the poor in the rural areas people. However it does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic amenities, services and requirements. Therefore it is recommended that companies should also actively consider their interventions in rural areas on education, health, girl child and child labour as this will directly benefit poor common man. Because, even today more than 70 per cent people still reside in rural India and required basic facilities.

6. The Government should consider rewarding and recognizing corporate houses and their partner non-governmental organisations for effective implementation of projects. Some benefit and Incentives to be offered to the private sector to strengthen their good work must include a formal partnership with local administration for effective implementation. There should be some
relaxation should be given like Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects covered under CSR activities. It will encourage voluntary participation of greater number of corporate houses in CSR activities, as per the act.

7. CSR (as a subject or discipline) should be made compulsory at business schools and in Colleges and Universities to sensitise students about social and development issues. The role of CSR should assist corporate houses to strike a judicious balance between their business and societal concerns to make CSR more effective. Such approach will not only encourage and motivate young minds, but also prepare them to face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor living in the society. The involvement of professionals from the corporate sector, non-governmental organisations and business schools would be key in ensuring youth participation in handling the socio-economic problems for the betterment of society.

8. The companies involved in CSR implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment and many other as mentioned in CSR activities listed as per the Act. However, it is found that companies end up duplicating each others' efforts on similar projects in the same geographical locations like education is covered by various corporates. Therefore it creates problems and induces a competitive spirit amongst companies rather than social welfare. Companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility effective
implementation. National alliance, that represents various industry interests, should take up broad development agenda and provide high value services to the poor and the underprivileged sections of the society. In the future, the alliance would grow into a special purpose vehicle (SPV) and work closely with stakeholders to raise the level and quality of CSR activities for social development. Various models available in different industry segments both within the country and overseas; all that is needed is to identify and leverage these models to set up a national platform for effective thought alignment between companies and other stakeholders, in order to redefine CSR practices in India both at the urban and local level.

9. Required the Government's policy documents to ensure 'public co-operation' in planning process for further development. From 1951, Plan Documents and other subsequent policy pronouncements amply demonstrate the intent of the Government in this regard, underscoring the value of participatory approach in the context of larger governance mechanics for holistic approach. Partnership in the form of the 'public co-operation' element has further been ensured by the involvement of various interest groups in drafting of the 'National Policy on Voluntary Sector-2007', under the aegis of the Planning Commission. Planning commission is since replaced by NITI Aayog in India. The National Policy was subsequently cleared by the Cabinet in 2007 and is one of the finest blueprints available on partnerships between the voluntary sector and the private sector and government.

10. The Government and other interest groups partnership have been well defined in policy documents at all levels to make it more effective the only effort needed now is to develop common strategies to translate policy
pronouncements into demonstrable action agendas for further development. The 'bottom-up' approach for various development initiatives in the country is considered more important.

11. The role and efforts of the private sector in taking development agenda forward with focus on education, health, environment, livelihood, women empowerment, disaster management to mention a few have been visible and effective. Some innovative models are also available of private sector interventions in these areas. In order to push the development agenda in a mission mode, it is recommended that realistic and operational models of engagement between all three important stakeholders the Government, the non-governmental organisations and the private sector - are jointly explored and addressed.

A sound CSR policy in consultation with the private sector involved directly in CSR initiatives will be the first right step in this direction,

The concept of corporate social responsibility refers to integrate social, environmental and ethical responsibilities into the governance of business. It is recognised now the world over that long term success, competitiveness and sustainability is contingent on CSR.

The CSR should be central to the company and has to be embedded in its core values and principles. Ethical practices and magnitude will pose new challenges. We cannot address the challenges of tomorrow with the policies and strategies of yesterday. For that we require innovative solution.
A constructive public-private people partnership for socially responsible growth is critically important. As per the new companies bill 2013, the companies have to spend 2% of their 3 years average profit towards CSR activities. However it has been found most of the organisations are not spending 2% of their profit for CSR. However the companies have to identify the area of focus.

The companies are focusing on various areas i.e.

1. **Social Upliftment** companies are focusing on charitable development projects. For upliftment of society the supports from NGO's is being done.

2. **Health**: To create an awareness for health purpose, companies are supporting HIU AIDS patients, providing medicines to poor, improving standard of living and health of people living in rural areas.

3. **Welfare of Women & Children**: Socially disadvantaged children is supported in slum schools, educational projects for women upliftment various schemes like:

4. **Infrastructure Development**: Companies are helping in infrastructure developments like roads, electricity, schools and hospitals of adjoining villages around their plant.

5. **Welfare of the Employee**: Most of the organisations are focusing on employee welfare. Various laws to project the employee and many anti child labour laws, running various employee welfare programmes for employee's development are past of CSR activities of various companies.
6. **National Heritage and Culture**: To protect and preserve the rich heritage of India, companies are taking actions to preserve, promoting art and culture etc.

7. **Protection of Environment**: Companies are creating awareness to protect the environment by resuming products. Waste production, air pollution, water contamination, renewable energy are the most important Issues to protect environment.

**Women Empowerment**: Companies on sexual harassment and female infanticide to protect the interest of women.

**Community Development**: By providing free educational programmes and conducting adult educational programs, organisations are putting efforts to empower community people raise their standard of living.

### 6.3 Future Trends in CSR Activities

Indian companies are following a charity based, philanthropic, social-initiative based CSR approach. But to survive in the next era of business competitiveness Indian CSR need focus beyond health and education schemes.

Companies should include following focus areas in their CSR activities:

- **Generation of Electricity**: India is facing a problem of power shortage. Already there are several companies which are focusing on activities that can change the situation by encouraging the use of renewable resources.

- **Pollution**: Water, air, land are still getting polluted in spite of all the actions taken by government and companies. The main reason for this is lack of proper regulations and high population. Increase in pollution is affecting
human health as well as plants & animals also. Companies should take initiative to focus on this pollution problem and take measures to reduce its impact.

- **Biodiversity Protection:** Protection of variety of plants and animal life in the world is something beyond the category of CSR but still companies should focus on activities that can reduce the impact on biodiversity.

- **Employee Engagement:** Businesses usually focus on working conditions, incentives and other benefits of employees. But employees are the change creators. Companies should focus on activities that would motivate employees to implement CSR strategies.

- **Volunteerism:** Surveyed companies stated that they will increase their focus on volunteerism and make it essential part of companies' leadership development strategy. Although few companies have started it but there is long way to go. Companies are geared towards incentivizing employees to encourage employee volunteering.

Other activities like contribution to poverty alleviation, infrastructure development taking in to account a broader set of environmental concern, etc. would be the future focus areas of CSR.

### 6.4 CSR Implementation Challenges

The concept of CSR is not new to the India but its implementation has been a major concern for years. As per the survey conducted by Times of India group, Full O Dreams. CSR rating of India's 500 largest companies, and various other surveys it
was observed that there are various challenges faced in implementing CSR in different parts of the country. CSR implementation challenges are as follows:

In India, the changing economic scenario has thrown a lot of challenges in the path of the Indian corporate. The major challenges that would impact on the corporate world and determine who could sink or swim in businesses are:-

**Growing Environmental Pressure:** India is not endowed with sufficient natural capital in comparison to the population it supports. Though India is home to 18% of the world population, it only has 2.4% of the planet's landmass, 4% of the fresh water resources and about a percent of the world's forest. India's eco systems are already highly degraded. Most Indian rivers have water quality unfit for direct human use. Despite significant improvements in emission from vehicles and industries air quality in Indian cities is degrading. The country however continues to stay on the brink of a grave ecological crisis.

**Corruption:** In a country where corruption plays a big role in increasing the gap between the rich and the poor implementation of CSR activities takes the shape of a big, challenge.

**Population Demographics:** The youth bulge of India posing its own social problems with growing numbers of educated unemployed and disaffected young people.

**Global Health:** The disease of poverty is a major challenge - just 10% of R & D goes into 90% of the world's disease, including big killers like HIV, diarrhea, tuberculosis and malaria.

**Role of Technology:** The role of technology also increasingly enter the CSR arena, particularly in nano and biotechnology which has the potential to meet so many
global challenges they also brought with them their own set of environmental and social risks.

**Food, Energy, Climate:** India should take note of the inflationary trends, climate change and maintain a fine balance in the demand & supply chain, especially for food and fuel.

**Governance and Change:** Finally in what way government and business interact. How effectively and actively the Indian Government is playing the regulatory role. Recently the ministry of company affairs (MCA), which is finalizing the new Companies Bill, has accepted a Parliamentary Standing Committee's recommendation on the issue where companies with a turnover of Rs.1,000 crore or net profit of Rs.5 crore or more earmark 2% of their net profit for the preceding three years on CSR.

- **CSR as Marketing Tool:** Most of the companies are using Corporate social responsibility as a marketing tool to spread a word about their company but they are least bothered about doing well for society. They are looking up for their own benefits.

- **Slow Acceptance of CSR:** It is believed that corporate social responsibility is still at nascent stage in India. Experts believe that lack of trained personals, unavailability of accurate information and lack of understanding of the concept are the main reasons for slow acceptance of corporate social responsibility in Indian companies.
• **Lack of Revelation:** Companies barely disclose their production process and take responsibility for the damages caused by these processes. They hardly state the steps taken by them to minimize damages.

• **Lack of Precision:** Although few companies have started doing Corporate social responsibility reporting but still there is hardly any company that is stating the exact amount of expenditure done by them on the CSR activities. They are not mentioning the exact amount in any of their balance sheet or annual report.

• **Lack of Clearly Defined Focus Area:** Most of the companies don't have clearly defined focus area. They take up those activities which would result in increasing their profit. They get indulged in multiple activities resulting in losing the purpose of undertaking that activities.

• **CSR Activities in Local Community:** Local communities don't take interest in participating in CSR activities of companies. The main reasons for that are lack of awareness about CSR, and lack of proper communication between company and community.

• **Lack of CSR Positions in the Companies:** For effective implementation of CSR in any company, appointment of CSR position at strategic decision making level is important to manage the development of policy but there is lack of CSR positions in companies. Although few companies have already appointed employees at CSR positions but still this is not adapted by many companies.
• **Narrow Outlook Towards CSR:** Most of the companies have narrow perception that CSR is just all about charity or donation. It is merely considered a policy that should be included in business operations. They find it hard whether they should participate in these activities for long term.

• **Non Availability of Clear CSR Regulations:** One of the most important reasons for lack of implementation of Corporate social responsibility in India is lack of specific act, rules and regulations related to CSR except certain voluntary guidelines issued by the government of India. There exists a greater room for clarity.

• **Lack of Availability of Proper Organization:** There is no proper organization that can access the needs of remote & rural area communities and work with companies to ensue successful implementation of CSR activities.

• **Duplication in CSR Activities:** Most of the companies end up duplicating each other's efforts on similar projects in same geographical areas. This results in inducing competitive spirit amongst companies resulting in limiting company's ability to undertake impact assessment of their initiative and wastage of resources.

### 6.5 Recommendations for Effective Implementation of CSR

On the basis of above findings, following recommendations are suggested for serious consideration by all corporate to deepen CSR in company's core business and its effective implementation.
There is a need for effective social responsibility reporting and auditing. Companies' approaches to social reporting are as varied as their approaches to CSR. A global consensus needs to evolved on the type of information to be disclosed, the reporting format to be used, and the reliability of the evolution and audit.

- Reports should be developed in consultation with employees and their representatives in accordance with tradition. An adequate framework, which would deal with policies, practices and performance regarding employment and working conditions.

- Establishment of monitoring centre on change as means to develop a proactive approach to anticipating and managing change.

- Internationally agreed standards such as ILO fundamental convention as identified in 1998 declaration should be developed.

- Social Responsibility Reports required to be verified by independent third parties to avoid criticism. The involvement of stakeholders including trade unions, NGO's could improve the quality verification.

- Employees are the main stakeholders of companies, so they should be involved in a two-way dialogue that can structure permanent feedback and adjustment.

- Training schemes for raising awareness among management and workers should be provided aimed at guiding companies on their social and environmental performance and strategic management system integrating economic, social and environmental consideration.
• Companies must be provided with guidance and tools that enable them to report on their corporate social responsibilities, policies, processes and performance in an effective manner.

• The adoption of clean technology can improve environmental performance.

• Recognition and prizes to the companies, which have developed good practices to promote gender equality or provide opportunities for people with disabilities.

• Permanent verification of the social and eco labels implying a guarantee that the item was produced free of exploitation and abuse at the workplace following agreed standards.

• There is need for debate regarding the value and desirability - in the context of market and international obligation, support should be provided for education and awareness - raising around labour condition issues, promotion of best practices through sponsorship of company awards, facilitation of the development of multi stakeholder partnership, development of standards in social labeling and use of public procurement and fiscal incentives in promoting labeled products.

• Finally, not the least there is need for further standardization, harmonization and transparency in screening which will lead to significant socially responsible investment by large investors.

• Companies should focus on doing social good rather than considering CSR as promotion tool.
• The concept of CSR should be taught in business schools so as to make better understanding of the concept and produce trained personnel.

• Each company should decide minimum annual expenditure that has to be spent on CSR activities.

• Each company should define its CSR objective stating which issue it intends to work on. It should choose CSR activity and focus on that.

• Companies should start doing CSR reporting and disclose about their production process, damage caused and steps taken to minimize them. They should also disclose the amount spent on CSR activities.

• Companies should create CSR positions within their organizations that under takes CSR activities for the companies.

• Volunteerism among employees should be encouraged.

• Companies should start taking up CSR activities that are need of today's scenario.

• Government should introduce CSR regulations to impose check on companies.

• Proper CSR organization should be there for assessing the need of rural areas so that companies while focusing on urban areas could also fulfill needs of rural areas.

• Companies involved in similar CSR activities should pool up their resources for implementing of activities.
A business cannot be successful without building bridges between stakeholder's values, company's values and social values. Corporate should be encouraged to develop innovative practices. There is a necessity to develop a core set of common CSR indicators that leading corporates can use to communicate their performance. Internationally agreed standards ought to be developed. A certain proportion of profit ought to be earmarked for social development that should reflect in the annual balance sheet of firms. Finally, Social investment Forum (SIF) should be set up to provide information on Corporate social responsibility policies and to promote and encourage the development of Socially Responsible Investment (SRI).

The objective of the research is to present a picture of CSR spending by the banking sector and understand how much more Indian banks need to spend on CSR projects to comply with the new Act. This report will help:

- Bank management to see where do they stand when compared to their peers.
- CSR stakeholder to understand how Indian banks need to scale up their CSR spending.
- NGOs to do thematic and geographic mapping to reach out to banks for their CSR project implementation.

Need of the CSR

The need of the CSR can be understood by the fact that corporates are utilising the resources of the society, therefore, it is the moral and ethical responsibility of the corporate to give back to the society. However, we are living in a democratic country. The social welfare is the most important aspect of government but due to the new economic policy i.e. liberalisation, privatisation and globalisation, most of the
public sector is converted in private sector by the disinvestment, and other process. The developing country has various problems. In order to make socio-economic development the responsibility should also be shared by both public and private sectors.

**Reality of CSR**

After the enactment of Company Act 2013, the various activities is covered for social upliftment. There are so many areas mentioned in schedule VII of this Act. The areas like education, poverty, P.M. relief fund, clean Ganga project etc. have been covered by various corporates in adjacent area and nearby. However, the mandatory spending of 2% of the average net profit of past 3 years has to be spent by corporates. But few areas are unattended and unanswered.

1) There is no regulatory mechanism available to measure the impact of CSR on society. Therefore, by the help of community, corporates and governments the mechanism proces to evaluate CSR activities should be encouraged.

2) Due to the mandatory provision various corporates are not ready to invest. The other aspect is how to calculate 2% money on continuous CSR activities.

3) Sometimes under the compulsion, activities are covered but in reality the eyewash is being done by various public and private corporates.

4) For the name of education most of the corporates has opened the schools but they are lacking in infra structure and other issues.
5) As far as the employment is concerned many public and privates are providing eyewash by the name of skill training. Therefore, good mechanism should be developed to make CSR more effective.

In nutshell, there is a gap in theory and practices of CSR activities by various public and private corporates. Therefore, it is the duty of the government to make CSR journey more effective by giving some insight like, the help of NGO's in implementation of projects, public private partnership should be encouraged to make society developed in a very holistic way. Rather than the comparison between public and private both should come together to make the overall development of the society in an effective way. In today's scenario both public and private are supplementary and complementary to each other.

In the last I would like to conclude that CSR Companies Act 2013 is a new baby which will take some time to deliver something to society. However, it is a good step by government of India to make CSR more accountable, transparent, and fruitful for the society. There has been the paradigm shift in government sector responsibility to private sector also. Now the responsibility of socio-economic development alone can not be shared by government, therefore, the public private partnership can be the most important catalyst for socio-economic development.