CHAPTER 1
CONCEPTUAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY

1.1 INTRODUCTION
“Giving back to society can be mutually beneficial and profitable and it is important to know that profit is not the only motivation.”

Corporate Social Responsibility (CSR) has become a buzz word that fundamentally represents a philosophy about the relationship of business and society over time. The roots of the contemporary idea of corporate social responsibility can be traced back to the charity principle and stewardship principle. The charity principle requires that ‘have nots’ shall be assisted by the ‘have’ directly or indirectly by the churches and community social groups. On the other hand, the stewardship principle asks businesses to act as steward or caretakers of the society. For many years business has been engaged in charity, philanthropy, and civic activities, but these investments were not effective and were not directed to real social change.

The main aim of any business is to earn money and increase the shareholders’ wealth. In other words, the company's financial responsibility has been the only driving force in the business. But a movement that defines broader corporate responsibility for the environment, for local communities, for working conditions and for ethical methods has gained momentum. This new drive can be termed as corporate social responsibility (CSR).

CSR is also known as the company's "triple bottom line (TBL)" - the totality of the company's financial, social and environmental performance in running its business. Corporate houses should do business and earn money to meet the expectations of society. Every individual living in society has certain obligations to society. Everyone must respect social values and standards of behavior. The society allows the company to carry out industrial or commercial activities and thus to make profits. But it is obligatory for commercial enterprises to do nothing that is undesirable from the point of view of society. Manufacturing and selling of adulterated goods, making deceptive advertisements, not paying taxes which are due, polluting the environment and exploiting workers are some examples of socially undesirable practices.
These practices may increase profit in the short run but in long run it may have adverse impact on both society and business. On the other side, offering excellent quality products, creating healthy working environment, paying taxes honestly, preventing pollution in the plant, and responding to client complaints are examples of socially desirable practices that enhance the quality of job, company image, and make them profitable. Indeed, it is socially responsible and ethical conduct that helps businesses to achieve success in the long run.

Faced with this disruption of the corporate environment, companies want to increase their ability to manage their profits and risks and protect the reputation of their brands. Due to globalization, there is also fierce competition for skilled employees, investors and consumer loyalty. The way a company maintains relationships with its workers, host communities and the market can greatly contribute to the sustainability of its commercial success.

1.2 PRESENT SCENARIO

Corporate social responsibility is a concept that has become familiar in the business world. As suggested by concept of Corporate Social Responsibility (CSR) companies should deliberately integrate social and environmental concerns into their activities and interactions with stakeholders. Corporate social responsibility is a concept that has become very familiar in the business world.

CSR involves applying the concept of sustainable development to the corporate world. Of course, companies that respect and listen to their stakeholders need to be worried about their development and profitability, but they also need to be conscious of the financial, environmental, social and cultural effects of their operations. CSR has shifted beyond "charity and offering" in India today and is being discussed in a more organized manner. It has become an essential component of the strategy of the company. Companies now a day’s becoming more transparent in disclosing every small detail about their operations. Now businesses are presenting in their annual report their corporate social responsibility project.

Companies have CSR committee that formulate specific policies, strategies and goals for their CSR programs and set aside budgets to support them. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their
business processes. Today, business understands the importance of social responsibility and following the principles of “doing well by doing good,” CSR can be a revolutionary way of contributing to systemic social changes in which investments can produce lasting social benefits in different areas.

The business community can make a significant contribution to promoting social development as a whole if innovative CSR initiatives are undertaken in partnership with government and civil society. The role and scope of corporate social responsibility has grown exponentially in the last decade. CSR reports are now issued by most of the companies. A larger number of companies are following and implementing the principles of CSR into all aspects of their businesses. Shareholders, analysts, employees, regulatory authorities, unions, community organizations and the media call on businesses to be responsible for a constantly changing set of CSR issues.

There is a growing demand for transparency and growing expectations for companies to measure communicate and continually improve their social, environmental and economic performance. Apart from that, global problems such as corruption, exploitation of environmental degradation, fraud, bureaucracy, etc. are prevailing in the global world. The principle of CSR has therefore become essential in today's dynamic and competitive world. A company which is socially responsible must take initiative to adopt policies and business practices that match with the minimum legal requirements and contribution for the well-being of the stake holder is maintained.

Companies that adopt CSR principles are more transparent and less likely to be corrupt. In addition, they can implement stricter and therefore more expensive quality and environmental controls, but are less likely to have to recall defective product lines and pay heavy fines for excessive pollution. They also have less risk of negative social events that damage their reputations and cost millions of dollars. Adopted as a core corporate strategy, Corporate Social Responsibility (CSR) improves business efficiencies and returns. CSR is often seen as a business program that defines and respects its obligations to society, which is unfortunate and misses the point. Today, CSR is a fundamental prerequisite for a business, regardless of size, to make its business relevant and sustainable in today's world - it's a state of mind that blends into the fabric of everything a company does. The winning
companies will be those that are governed correctly and fairly and those that act responsibly. CSR offers higher levels of customer satisfaction and loyalty, improved brand and product reputation, more motivated and productive employees, better relationships with the local community and public authorities, and cost savings.

1.3 CONCEPT OF CSR

The concept today encompasses a wide range of CSR initiatives, including moral and ethical concerns, good governance, socially responsible investments and inventions, the well-being of society, including environment, respect for and protection of human rights, and positive discrimination to legitimize their work processes. The underlying rationale for the concept of CSR is that since the company depends on the society to function, it cannot exist or prosper in isolation, so it is obliged, in recognition of the dependency, to also provide mutual benefits to the community. CSR is a value-added decision-making process that identifies and responds to the needs and obligations of well-being of internal and external stakeholders (direct and indirect).

This decision making process of the firm includes not only legal, or economic, social, ethical, or environmental concerns but also socio-moral concerns of all the stakeholders and the society on which they are inter dependent. In other words CSR is much more holistic (but discretionary) perspective that enhances corporate success of the business. Till the approach is discretionary or voluntary engagement, company’s choice to select the scope or areas of activities to be included in its CSR strategies and its obligations towards its stake holders are mostly as follows:

- Respecting, conforming and promoting socio-cultural norms, and values
- Preservation and protection of socio-geographic environment of the society around which the business operates.
- Protracted and sustainable use of resources without disturbing the natural environmental ecology
- Good governance and transparency in managerial practices cements and maintains mutual trust and confidence amongst managers, other stakeholders and general public.
- Ethic driven business practices and cause-related marketing
• Sharing government responsibility of people welfare with community centered policies/activities.

1.4 MEANING OF CSR

In general, CSR refers to transparent business practices based on ethical values, respect for legal requirements and respect for individuals, communities and the environment. Thus, beyond profits, companies are responsible for the totality of their impact on people and the planet. Corporate Social Responsibility refers to its obligation to make these decisions and to perform the desired actions with respect to the goals and values of our society.

Corporate responsibilities means that companies must respect the aspirations of society and company must do their best to contribute toward the well of society and stakeholders. This idea contrasts with the common notion that companies exist only to maximize the profits of their owners and it is useless to speak of a public good. It follows that a responsible enterprise, and even every responsible member of society, must act with due concern for the consequences for the lives of others.

Corporate Social Responsibility (CSR) is regarded to be an extensive collection of policies, procedures and programs that are incorporated with company operations, supply chains and decision-making procedures within the organization.

CSR involves responding to the legal, ethical, business and other societal expectations of business and making decisions that fairly balance the demands of all key stakeholders. Effective CSR aims to "achieve business success in a manner that respects ethical values and respects people, communities and the natural environment".

In broad sense, CSR usually includes matter related to corporate business ethics, social investments, the environment, governance, human rights, the market and the workplace.

1.5 DEFINITIONS OF CSR

There is no single, universally accepted definition of “Corporate Social Responsibility” (CSR). Private sector, governments and civil society organizations
have distinct perceptions of the idea. With the evolving socio-business setting, the definition of CSR has changed.

According to Bradshaw (1981) fundamental task of any corporate management is to ensure that the firm holds ability and capacity to satisfy customer’s needs by maintaining continuous supply of quality goods lowest possible cost. And this is only possible through efficient and sustainable use of resources.

According to Kilcullen & Kolstra (1999) CSR represents a state of corporate behavior that is influenced by ethical and moral concerns beyond affirmative action.

As per ILO commission CSR is “A set of initiative companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their stakeholders.”

According to William Werther and David Chandler CSR is “the broad concept that businesses are more than just for profit seeking entities and therefore, also have an obligation to benefit society.”

McWilliams and Siegel (2001) describe CSR as “actions that appear to further some social good, beyond the interest of the firm and that which is required by law.”

Ambreen Waheed (2005) of Responsible Business Initiative (RBI) classifies CSR dimensions in to the following:

- Practicing Fair Trade
- Promoting, preserving and protecting human rights
- Strict adherence to the business ethics and community involvement.
- Humanized labour practices and protection/ respect for employees’ rights.
- Ensuring operational safety and security at the work place
- Occupational health
- Good governance and good practices
- Quality management
- Compliance to the laws
- Reporting, disclosure, transparency and professional honesty in managerial practices

Lord Holme and Richard Watts (2010) have stated CSR as its own kind of business commitment of the firms towards its stake holders that the business will
continue to behave ethically and morally in its pursuits of corporate goals. During the process of marching towards its corporate ends the business would continue improving quality of life at the work place, workers, their siblings, and the community around.

According to Mallen Baker “CSR is about how companies manage the business processes so as to produce an overall positive impact on society.”

The definition could be better understood with the help of diagram presented over here:

![Figure 1.1 The Business in Society](http://mallenbaker.net)

(Adapted from: http://mallenbaker.net)

As per Mallen Baker’s view companies need to answer to two aspects of their operations.
1. The quality of their management including people and processes (the inside circle).
2. The nature of, as well as quantity of their impact on various areas of society. Hence, one can say that CSR of any firms is an ongoing process that deals with its obligations to:

- Protect, preserve, promote and improve welfare of the organization stakeholders alike and not only its shareholders.
- It encompasses business and social actions, and ensures procedural and distributive justice in delivering sustainable benefits to its stakeholders.
- CSR also serves as a tool to achieve competitive edge and maintain sustainability of competitive advantage in the rapidly changing business environment.

1.6 CSR MODELS

Keeping in view different theories highlighting firm’s economic and social relations and responsibilities towards its stakeholders there figured outnumber of CSR models that provide foundation for the conceptual frame work of this study. Sethi (1975) in his well cited ‘three tier model’ argues that corporate social performance of any firm is based on; firms affirmative action to legal and market dictates (social obligation), valuing and adhering to socio-cultural values by moving beyond compliance, norms and developing competence in its responsiveness to stakeholders social needs. However, without denying the importance and relevance of these and other CSR model, the research study mainly drew its foundations from; Carroll’s CSR Pyramid’ and the conceptual framework articulated after the in-depth review of the all of the relevant models.

Carroll's CSR Pyramid is a simple framework which discusses how and why organizations should meet their social responsibilities. Main features of Carroll’s CSR Pyramid are as below:

- CSR is built on the basis of profit so profit must come first.
- Secondly, there is a need for a business to ensure it fulfills all laws & regulations
- Thirdly before considering philanthropic activities, every business needs to meet ethical duties.

The four responsibilities displayed on the CSR pyramid are:
1. **Economic responsibility**: That means it is the social responsibility of a business to provide quality goods and services. A business should not exploit the customer by charging high price and by selling socially undesirable goods.

2. **Legal responsibility**: Every business must obey rules and regulation framed by the government or regulatory authority.

3. **Ethical responsibility**: Every business must do business ethically. The firms should behave and do business as per expectation of society. It is the moral obligation of business to respect the sentiments of society.

4. **Philanthropic responsibility**: Apart from earning profit, the business helps the society by providing charitable contributions to educational institutions or helping the affected people during any natural disaster.

**Figure 1.2 Carroll’s CSR Pyramid**

![Carroll's CSR Pyramid](https://www.researchgate.net/figure/The-Pyramid-of-SocialResponsibility-Source-Carroll-1979)

Carroll Model depicts unfolds these layers of obligations in order of their order of occurrence in business history. The model was lately validated by a number of research studies (Pinkston& Carroll, 1996).
1.7 DEVELOPMENT OF CSR CONCEPTS

CSR is a concept that has many interpretations and typically has three main dimensions i.e. economic, social and environmental dimensions. The concept has gained increasing interest among companies, governments and other stakeholders and has given rise to a lively debate among a number of academics on its significance.(cf., Carroll, 2004; Dahlsrud, 2006; Robins, 2005).

Table 1.1 Development of CSR Concepts

<table>
<thead>
<tr>
<th>Period</th>
<th>Concept</th>
<th>Description</th>
<th>Literature</th>
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<tbody>
<tr>
<td>1950s</td>
<td>Social responsibility of businessmen</td>
<td>The obligations of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society</td>
<td>Bowen (1953)</td>
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<td></td>
<td></td>
<td>Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behavior.</td>
<td>Davis (1960)</td>
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<td></td>
<td></td>
<td>Private contribution by businesses to society’s economic and human resources and a willingness to see that those resources were utilized for broad social ends</td>
<td>Frederick (1960)</td>
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<tr>
<td>1960s–1970s</td>
<td>Stakeholder Approach</td>
<td>Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole.</td>
<td>Johnson (1971)</td>
</tr>
<tr>
<td>Year</td>
<td>Model Description</td>
<td>Authors</td>
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<td>1980s-1990s</td>
<td>Three dimensional model of principles, policies and processes</td>
<td>Wartick and Cochran (1985)</td>
<td></td>
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<tr>
<td>1980s-1990s</td>
<td>Integrating corporate responsibility principles, the policies of managing social issue and the process of action into an evolving system.</td>
<td>Wartick and Cochran (1985)</td>
<td></td>
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<tr>
<td>2000s</td>
<td>Four types of corporate responsibilities (i.e., economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e., legal, organizational and individual), while corporate actions are extended to assessment, stockholder management and implementation management.</td>
<td>Wood (1991)</td>
<td></td>
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<tr>
<td>2000s</td>
<td>A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close corporation with the stakeholders</td>
<td>European Commission (2011)</td>
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1.8 PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

A set of CSR principles which are commonly being followed by the most of business firm in designing, formulating, implementing and evaluating their CSR strategies is listed below:

1. **Respect for human rights**: Ensuring that none of the step of business operation starting from its conception to the deliver phase is in contradiction to the obligations and principles enshrined in the Universal Declaration of Human Rights-1948.

2. **Valuing & managing diversity**: The organization must respect intrinsic values of each culture and ensure non-discrimination on the basis of gender, faith, blood, race, ethnicity, language, culture, political or social affiliations, marital status, and demographic variants.

3. **Dialogue**: Encourage and ensure dialogue with all stakeholders and keep line of communication open with the community so as to meet local conditions and generate positive benefits both for community and the firm.

4. **Maintaining high standard of integrity and fairness in all type of dealings, and practices**: Ensuring sustainability of business practices contributing long term socioeconomic welfare and development of community and the environment.

5. **Social insight and community knowledge**: Architecting and managing good CSR practices hinges upon the deep insight of the community, its values, and needs and cross cultural understanding of the society.

6. **Ability to assess social impact**: The firm shall be able to assess long term social consequences due to its old and new business operational activities so as to rightly facilitate its decision making process.

1.9 CSR TOWARDS DIFFERENT INTEREST GROUPS

Once the company's social purpose is recognized, it's important to know who and why the company and its management are responsible. Clearly, a business unit must decide in which areas it must achieve its social objectives. Some of the specific responsibilities of companies can be described as follows:
(i) Liability to shareholders or owners: A company is responsible for providing a fair return to shareholders or owners on their capital investment and for ensuring the safety of that investment. The business of a form of business must also provide shareholders with regular, accurate and complete information about its operation as well as future growth plans.

(ii) Responsibility to workers: The management of a company is also responsible for providing workers with interesting work opportunities. It should try to create the right working conditions in order to get the cooperation of the workers. The company must respect the democratic rights of workers to form unions. The worker must also be assured of a fair wage and a fair deal on the part of management.

(iii) Responsibility to consumers: The responsibility of companies’ is to provide consumers with goods and services of sufficient quality and quantity at reasonable prices. They must also have the right to inform about the product, the company and other factors that affect their purchase decision.

(iv) Responsibility to the government and the community: A company must respect the laws of the country and pay taxes in a regular and honest manner. It must protect the natural environment and avoid bad pipes of smoke, effluents, smoke, ugly buildings and messy working conditions. It must also develop an appropriate image in society through continuous interaction with various groups of people.

In this sense, social responsibility is broader than the legal responsibility of companies. Legal responsibility can be fulfilled simply by observing the law. Social responsibility is more than that. It is the recognition by a company of social obligations even if they are not governed by the law, as well as obligations provided by the law. In other words, social responsibility implies a voluntary element of action by businessmen in the interest of society.

1.10 MISCONCEPTIONS ABOUT CORPORATE SOCIAL RESPONSIBILITY (CSR)

The vast majority of businesses believe that this is just philanthropic activity, making generous donations to various charities. This misconception is perpetuated in the media, in which companies are described as engaging in such activities, which then
carry the title of "CSR Projects". However, CSR does not concern one-off projects. Rather, it is about managing the business so as to minimize the negative impacts on society and the environment generated by day-to-day business activities, while maximizing positive impacts for the benefit of all stakeholders. It is about being responsible for your actions, vis-à-vis your stakeholders, and ensuring long-term sustainability of the company, thus ensuring the sustainable development of the nation.

Most of the misconceptions were caused by the "S" in CSR, the "social" component of the term. However, CSR is actually about the company's interactions with the economy, the environment and the social sphere. It is for this reason that we must use the term "corporate responsibility" for this management practice.

What CSR means in its true meaning is also established by the recently published ISO 26000 standards on social responsibility, ISO 26000. The standard focuses on organizational governance, human rights, work practices, the environment, fair operating practices and consumer issues, with particular attention to community participation and development aspects.

The ISO 26000 context clearly shows why it is so important for Indian companies to recognize the true meaning of CSR. To quote the International Organization for standardization, "the performance of an organization in relation to the society in which it operates and its impact on the environment has become an essential element in the measurement of its overall performance and its ability to continue to function effectively. This partly reflects the growing awareness of the need to ensure ecosystem health, social equity and good organizational governance. In the long run, the activities of all organizations depend on the health of global ecosystems. Organizations are subject to increased scrutiny by their different stakeholders."

This greater vigilance is one of the main reasons why companies must now realize that they cannot simply make generous donations to various causes while continuing to work in ways that harm the environment and to generate non-optimal benefits for their stakeholders. If the companies are wrong, the public will know it. They must therefore incorporate in their fundamental strategies the elements necessary to ensure that all business decisions are taken responsibly and responsibly. They must have a holistic and strategic view of CSR. As rightly stated by the Standards Organization,
their overall performance and long-term survival depend on it.

1.11 THE RELEVANCE OF CSR WITHIN AN ORGANIZATION

It has also been found that, increasingly, companies that pay special attention to the principles of socially responsible behavior are also favored by the public and privileged for their products and services. This gave birth to the concept of CSR. The concept of corporate social responsibility is now firmly anchored in the global business agenda. Some of the positive results that can occur when companies adopt a social responsibility policy include:

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1. Benefits of the company:
   • Improved financial performance;
   • Lower operating costs;
   • Improved brand image and reputation;
   • Increased sales and customer loyalty;
   • Higher productivity and quality;
   • Greater ability to attract and retain employees;
   • Reduced regulatory oversight;
   • Easy access to capital;
   • Diversity of the workforce;
   • Product safety and reduced liability.

2. Benefits for the community and the general public:
   • Charitable donations;
   • Employee volunteer programs;
   • Business participation in community education, employment and homelessness programs;
   • Environmental benefits of greater recyclability of materials;
   • Better durability and functionality of the product;
   • Safety and quality of products.

3. Environmental benefits:
• Greater recyclability of materials;
• Better durability and functionality of the product;
• Increased use of renewable resources;

1.12 NEED OF CSR

Some businesses have generated profit without considering their social responsibilities. The general public expects more of business enterprises; they expect companies to contribute to society, not just maximize profits. In response to supply chain pressure, stakeholder engagement (The Institute of Chartered Accountants, 2004), and wider media coverage (LRQA, 2010), companies are now seeking to improve their sustainability performance and become socially responsible for pragmatic reasons.

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Socially responsible businesses, when making profits, also contribute to some aspects of social development, although not all of them are, of course. Every company should not be involved in every aspect of social development. It would be ridiculous and unnecessarily restrictive. However, the involvement of a company in certain aspects, both inside and outside the company, will make its products and services (e.g. financial services) more attractive to all consumers, which will make the business more profitable. Implementation of CSR will lead to increased costs, but the benefits will probably far outweigh the costs.

What will be the action of company when it wants to implements social responsibility? If a business is to be operated for the benefit of its owners, it can be obtained or used, or it must be responsible for serving customers, suppliers, government community.
The very concept of social responsibility implies that it is essentially a question of ethics, because it is a question of knowing what is morally right or wrong with regard to the responsibilities of the company. Social responsibility also includes a voluntary element of action on the part of businessmen. They can also exercise their freedom to decide to what extent they wish to serve various sectors of society. In fact, not all business people feel equally responsible to society. There should be a debate for some time now. Some people are firmly convinced that the laws of the economy require that the interests of the shareholders and the actions of the directors of any enterprise be governed by economic law. The operations of a company must be guided by a much broader set of objectives, which are now defined under the term CSR. The wide range of business ethics and decision-making makes business easier.

A business and society cannot be separated. This clearly establishes the stake of a commercial enterprise in the good health and well-being of a society of which it is a part. More importantly, in the era of widespread communication and the increasing emphasis on transparency, it is unlikely that the notion of social responsibility will be respected. It is becoming increasingly clear that organizations that are sensitive to the principles of socially responsible behavior also find an echo among the public and the choice of their products and services.

Arguments for social responsibility

1. Justification of existence and growth: There are companies for the supply of goods and services that meet human needs. Although profit motivation is an important justification for undertaking a commercial activity, it must be considered as a result of the service rendered to the population. In fact, business prosperity and growth is only possible through continuous service to society. Thus, the assumption of corporate social responsibility justifies its existence and growth.

2. Long-term interest of the company: A company and its image are likely to obtain maximum profits in the long term, while its priority objective is "service to society". When a growing number of members of society - including workers, consumers, shareholders, government officials believe that the company is not serving its interests they will tend to withdraw their cooperation from this company. Therefore, it is in his own interest that a company assumes its social responsibility.
The public image of any business would also be improved if it supported social goals.

3. **Avoid government regulation:** From a company's point of view, government regulations are not desirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps reduce the need for new laws.

4. **The maintenance of society:** The argument here is that laws cannot be adopted in all possible circumstances. Individuals who feel that they do not receive their due from the business may resort to antisocial activities, which are not necessarily regulated by law. This can harm the interests of the companies themselves. Therefore, it is desirable that commercial enterprises have social responsibilities.

5. **Availability of resources with businesses:** Commercial organizations have valuable economic and human resources that can be used effectively to solve problems. For example, companies have a pool of management talent and capital resources, backed by years of experience in organizing business activities. It can help society cope better with its problems, given the enormous financial and human resources it has.

6. **Transforming problems into opportunities:** The previous argument is that trade, which has a glorious history of converting risky situations into profitable transactions, can not only solve social problems, but also make them useful in accepting the challenge.

7. **A better environment for doing business:** If business is to operate in a society full of diverse and complicated problems, there may be little chance of success. Therefore, it is argued that the trading system should do something to meet the needs before being confronted with a situation where its own survival is threatened because of huge social diseases. A company with fewer problems provides a better environment for a company to conduct business.

8. **Holding companies accountable for social problems:** Some of the social problems would have been created or perpetuated by the companies themselves. Environmental pollution, unsafe workplaces, corruption in public institutions and discriminatory employment practices are some of these problems. As a result,
companies have a moral obligation to become involved in solving these problems, rather than expecting other social organizations to take care of themselves.

❖ **Arguments against social responsibility**

The main arguments against social responsibility are:

1. **Violation of the profit maximization objective:** According to this argument, companies exist only for profit maximization. Therefore, any discussion of social responsibility runs counter to this goal. In fact, companies can at best fulfill their social responsibility if they maximize their profits through increased efficiency and reduced costs.

2. **Consumer burden:** It has been argued that social responsibilities such as pollution control and environmental protection are very expensive and often require huge financial investments. In such circumstances, businessmen may simply shift the burden of social responsibility by charging higher prices to consumers instead of paying for them themselves. Therefore, it is unfair to tax consumers in the name of social responsibility.

3. **Lack of social skills:** All social problems cannot be solved as business problems are solved. In fact; businessmen do not have the understanding and training to solve social problems. In this context it is argued that social problems should be solved by other specified agencies.

4. **Lack of broad public support:** The argument is that the general public does not like corporate involvement or interference in social programs. As a result, businesses cannot function properly due to lack of public trust and cooperation in solving social problems.

❖ **Other criticisms of corporate social responsibility**

Neil Chamberlain, author and critic on corporate social responsibility, concludes that the corporate social responsibility movement is a "trapped" effect of the trading system itself. The dream of a socially responsible company can transform our society is illusory. Critics of the reason for the failure of corporate social responsibility defend companies that are too risk-averse and redirect management time and financial resources to the detriment of the company's core economic mission. Companies reflect two misconceptions:
The people responsible for running businesses are focused on one goal: maximizing profits. Managers have diversified their preferences to promote civic goals. Their ability to achieve non-financial objectives is limited by competitive pressures that are contrary to their personal commitments.

Finally, the emergence of social entrepreneurship has led companies to achieve social or environmental goals. Companies that manage social responsibility have proven to be profitable because they can eventually achieve financial and non-financial goals. In the same spirit, some consumers, employees and investors also have objectives other than the financial interest. It cannot be in the financial interest of a company to act responsibly. Activists, consumers, employees and investors lobbied companies to make significant changes to their policies. The leaders of these companies politely yield to these pressures and cease to multiply socially responsible activities. Civil regulation changes corporate strategies to seek greater value for shareholders. The social responsibility of the company is considered as meeting public relational objectives. Businesses believe it should be used to prevent governments from enforcing effective regulations. Critics also argue that corporate responsibility prevents executives from providing profits to business owners.

**Reality of Social Responsibility**

On the basis of the above arguments for and against social responsibility, one may wonder what businessmen actually do. Do they focus on maximizing profits? Or do they support social goals? The fact is that one of the most important changes recently in the attitude of businessmen has been to become aware of the fact that they have social obligations to fulfill while guaranteeing their own existence through a profitable business.

In the form of words, this is deemed necessary to ensure the survival of private enterprise. However, it is undeniable that private companies realize and recognize in part the harsh reality that a private company faces in meeting the challenge of a democratic society, in which each person enjoys certain human rights and can therefore demand responsible business conduct. Unless the company puts its house in order, changes perspective, and is ready to play its legitimate role as an organ of society, it is unlikely to succeed.
1.13 CORPORATE SOCIAL RESPONSIBILITY IN INDIAN CONTEXT

CSR is not a new concept in India, companies like Tata Group, Aditya Birla Group and Indian Oil Corporation, to name a few, have been involved in community service since their inception. Several other organizations have done their part for society through donations and charitable events.

CSR in India has always been considered a philanthropic activity. And according to the Indian tradition, it was activities that was practiced but not deliberate. As a result, documentation of specific activities related to this concept is limited. However, it was clear that most of these events were of a national character, that it was up to the institutions to participate actively in the liberation movement of India and that it was anchored in the idea of guardianship. Moreover, with global influences and communities becoming more and more active and demanding, there seems to be a perceptible trend: although CSR remains largely confined to community development, it is becoming more strategic in nature (i.e. to say that it is related to the business world) than philanthropic.

India is a country of many contradictions. On the one hand, it has become one of the largest developing economies in the world and an increasingly important player in the emerging world order, on the other hand, it still houses the largest number of people living in poverty absolute (although the proportion of the poor has decreased) and the largest number of undernourished children. An image of the unequal distribution of the benefits of growth, which many see as the root cause of social unrest, emerges. Businesses have also been targeted by those who have been disrupted by this uneven development and, as a result, their contributions to society are being scrutinized. With the growing awareness of this gap between the have and have-nots, this in-depth review will only intensify with the times and expectations of society will increase.

Many companies quickly became aware of this development and reacted proactively, while others did so only when they were pushed. Governments and regulators have responded to these challenges and to the National Voluntary Guidelines for Corporate Social and Environmental Responsibility or NVG (accompanied by SEBI-mandated corporate responsibility reports for the 100 largest companies) and the
CSR clause in The Companies Act 2013 are best two examples.

According to the Indian Institute of Corporate Affairs, minimum 6,000 Indian companies will have to undertake CSR projects in order to comply with the provisions of the Companies Act 2013, as many companies take these initiatives for the first time. In addition, some estimates indicate that corporate CSR commitments can reach to Rs. 20,000 crore. This combination of regulatory and social pressures has forced companies to pursue their CSR activities more professionally.

**Figure 1.3 Historical Perspective of CSR Legislation**

![Figure 1.3](Adapted from: www.bombaychamber.com)

Although the concept is not new in the country, its implementation has been a major concern for years. In short, CSR is poorly understood by a large number of Indian companies. It is simply a policy that should be implemented in business operations rather than giving importance to social good. Most of the national firms in India are small and medium-sized enterprises, and these companies are struggling to carry out their project with large foreign multinationals. This highly competitive environment is seen as a reason not to adopt what is perceived as costly CSR for many Indian business leaders. Although India is one of the fastest growing economies, socio-economic problems such as poverty, illiteracy, lack of health care, etc. According to 2011 study by the Oxford Poverty and Human Development Initiative, about 650
million people, or 53 percent of India's population, live in poverty. In 2010, the World Bank estimated that about 400 million people in India lived on less than US $1.25 a day. This scenario has opened several areas for businesses to contribute to social development. But the current situation seems to be changing as many companies try to accept CSR, which goes far beyond simply planting trees or the generosity of those who need them. Almost all major Indian companies participate in corporate social responsibility programs in areas such as education, health, livelihood creation, skills development and empowerment of the most disadvantaged strata of society.

The 2013 Companies Act introduced the idea of CSR in the foreground and, through its disclosure or explanation mandate, promotes greater transparency and disclosure. Schedule VII of the act, which includes lists of CSR activities, suggests that communities are the focal point. It will be interesting to observe how this will translate into action at the field level and how the understanding of CSR is about to change.

**1.14 KEY CHALLENGES HINDERING CSR INITIATIVES**

In India now that the Business Bill has become law, more than 8,000 companies in India, including private and public enterprises - need to focus on planning, designing and implementing business initiatives. CSR in areas such as caring for all sectors, ethical functioning respect for the rights and well-being of workers, respect for human rights, environment and social and inclusive development, etc. The practical implementation of CSR faces many problems and challenges. As a result, several key challenges are anticipated. The Times of India CSR survey used a sample of 250 companies involved in CSR activities using an online questionnaire management method. The questionnaire was developed after due diligence, including focus group meetings, consultations with key stakeholders and a pilot project in four metros. Finally, 82 organizations responded to the questionnaire. These included 11 public sector enterprises (PSUs), 39 private national agencies and 32 private multinational organizations. The interviewed organizations represent a satisfactory percentage of 33% of the sample size, as only companies directly or indirectly involved in CSR activities were selected to be contacted in the survey. The survey generated feedback from participating organizations on the various challenges faced by CSR initiatives
in different parts of the country. Responses obtained from participating organizations were collected and ranked by the research team. These challenges are listed below:

1. **Lack of community participation in CSR activities**: The general public does not want to participate and contribute to CSR activities of companies. CSR is largely misunderstood by Indian companies and their stakeholders. Some people think that companies are already socially responsible, whereas they are clearly not. The situation is further aggravated by the lack of communication between companies involved in CSR and the general public at the grassroots level.

2. **Need to build the capacity of local non-governmental organizations**: There is a need to build the capacity of local non-governmental organizations, as there is a serious shortage of trained and effective organizations that can effectively contribute to ongoing CSR activities initiated by businesses. This seriously undermines the intensification of CSR initiatives and subsequently limits the scope of these activities.

3. **Transparency issues**: The lack of transparency is one of the major issues raised by the survey. Companies said there was a lack of transparency on the part of local implementing agencies as they did not make the effort to disclose information about their programs, auditing issues, impact assessment and the use of their funds. Lack of transparency has a negative effect on the process of building trust between business and local communities, which is key factor to the success of any CSR initiative at the local level.

4. **Non-availability of well-organized NGOs**: There is problem of non-availability of proper NGOs in backward and rural area. Due to this real needs of community cannot be identify in proper way and successful implementation of CSR activities by companies cannot be done.

5. **Visibility factor**: The role of the media in highlighting good examples of successful CSR initiatives is welcomed as it spreads good stories and raises local awareness of the various corporate CSR initiatives under way. This obvious impact of the visibility and branding often leads to the involvement of many non-governmental organizations in event programs; they often miss important grassroots interventions in the process.

6. **Non-availability of clear CSR guidelines**: There are no clearly defined statutory
directives or policy directives to give a definitive direction to corporate CSR initiatives. It has been found that the scale of CSR initiatives of companies should depend on their size and profile. In other words, the larger the business, the more important its CSR program is.

7. Lack of consensus on the implementation of CSR issues: Local agencies do not agree on CSR projects. This lack of consensus often leads to a duplication of business activities in their areas of intervention. This creates a spirit of competition between the local implementing agencies rather than creating collaborative approaches to problems. This factor limits the company's ability to assess the impact of its initiatives from time to time.

1.15 FACTORS PUSHING COMPANIES TOWARDS CSR

Following factors boost companies to undertake more CSR activities:

1. The decreasing role of government: In the past, governments have used legislation and regulation to achieve social and environmental goals in the business sector. The reduction of government resources, coupled with mistrust of regulation, has led to the exploration of voluntary and non-regulatory initiatives.

2. Requests for greater disclosure: Stakeholders, including customers, suppliers, employees, communities, investors and activist organizations, are increasingly demanding disclosure of their information.

3. Increased customer interest: It is clear that ethical business behavior is having an increasing influence on customers' purchasing decisions. More than one in five customers said in a latest Environics International survey that they were rewarding or punishing companies on the basis of their perceived social performance.

4. Investor pressure: The Social Investment Forum reports that in the United States in 1999, more than $2 trillion in assets were invested in portfolios with screens related to the environment and social responsibility. A separate survey by Environics International found that more than a quarter of US equity owners considered ethical considerations when buying and selling shares.

5. Competitive Labor Markets: Employees are increasingly moving beyond paychecks and benefits, looking for employers whose philosophy and operating
practices reflect their own principles. In order to recruit and retain qualified employees, companies are forced to improve their working conditions.

6. Supplier Relations: With growing interest of stakeholders in business, many companies take steps to ensure that their partners behave in ethically and socially responsible manner. Some put in place codes of conduct for their suppliers, to ensure that the policies or practices of other companies do not tarnish their reputation.

1.16 CSR AND SUSTAINABILITY

Sustainability (corporate sustainability) stems from Brundtland's concept of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Corporate sustainability relates mainly to the role that company can play in attaining sustainable development goals and includes a balanced attitude to financial advancement, social progress and stewardship of the environment. CSR in India tends to focus on what is done with the profits once they are realized. On the other hand, sustainability involves taking into account the social and environmental impacts of doing business, that is, how the benefits are realized. Therefore, much of the Indian CSR practice is an important part of sustainability or responsible companies, which makes it a broader idea, which is evident from various sustainability frameworks. An interesting example is the NVGs on Corporate Social, Environmental and Economic Responsibilities published by the Ministry of General Affairs in June 2011. Principle 8 on Inclusive Development covers most of the aspects covered by the CSR Clause of the 2013 Act. However, the eight remaining principles concern other aspects of the company. The United Nations Global Compact, a widely used sustainable development framework, contains 10 principles covering social, environmental, human rights and governance issues, and describes the following CSR is implicit rather than explicit in these principles.

On a global scale, the notions of CSR and sustainability seem to converge, as shown by the various CSR definitions proposed by global organizations. The genesis of this convergence can be seen from the preamble to the recently published draft CSR clause in the Companies Act 2013, which talks about stakeholders and how it can be integrated with social, environmental and economic goals, all of which are 'a triple
bottom line approach. It is also recognized in the Corporate Social Responsibility and Sustainability Guidelines for Central Public Sector Enterprises published by the OECD in April 2013.

The new guidelines, which replaced two existing separate CSR and sustainable development guidelines, published in 2010 and 2011 respectively, state the following:

"As corporate social responsibility and sustainability are so intertwined, it can be said that corporate social responsibility and sustainability are a company's commitment to its stakeholders to conduct business in a way that is economically, socially and environmentally sustainable as well as in a transparent and ethical way."

On 25th September 2015, Sustainable Development Goals (SDGs) were adopted by 193 countries to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. These goals range from ending poverty to looking at climate action. The 17 goals come with 169 targets to be achieved by 2030. India along with other countries signed the declaration on 2030 agenda for sustainable development. SDGs and CSR activities share a lot of overlap in terms of their thematic areas. The Sustainable Development Goals are:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation, and Infrastructure
10. Reducing Inequality
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice, and Strong Institutions
1.17 GENERAL PRINCIPLES AND GUIDELINES

It should be noted that most of these guidelines address the broader concept of sustainability or corporate responsibility, taking into account that these concepts are closely aligned at the global level with the notion of CSR.

**United Nations Global Compact (UNGC)**

UNGC is the largest corporate citizenship initiative in the world, with the goal of systematically integrating the adoption of sustainable and socially responsible policies by businesses around the world. The principles of the United Nations Global Compact derive from various United Nations conventions such as the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment.

These principles cover four main areas:

- **Human rights** (support and respect the protection of international human rights and ensure that companies are not complicit in human rights violations)
- **Labor rights** (respect freedom of association and the effective recognition of the right to bargain collectively, the elimination of all forms of forced or compulsory labor, the effective abolition of child labor and the elimination of employment and occupation)
- **Environment** (supporting a precautionary approach to environmental challenges, taking initiatives to promote greater environmental responsibility and encouraging the development of environmentally friendly technologies)
- **Governance** (fight against corruption in all its forms, including corruption and extortion)

The guiding principles of the United Nations help states and businesses to fulfill their obligations to respect and protect human rights and fundamental freedoms and to comply with the laws in force.

These principles act as global standards to address the risk of human rights violations related to commercial activities. In cases where these laws are broken or the instructions are not followed, appropriate corrective measures have also been recommended. The focus is primarily on the protection of human rights, both by the state and by business, and the principles generally describe how the framework can
be implemented.

**ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy**

This is another voluntary statement which is being promoted by governments, employers and multinational organizations with the intention of continuing to guarantee social and labor standards. This is especially true for organizations operating in more than one country. The focus is on core labor standards such as:

1) Freedom of association and the right to collective bargaining (prohibition of discrimination, forced labor and forced labor)

2) Professional relations (no union restrictions, regular discussions between the management and the workers and the establishment of a forum to make a complaint in case of violation of labor standards)

3) Job opportunities (creating job security, improving living and working conditions and ensuring that wages match those of other companies in the same country).

**OECD Guidelines**

The OECD Guidelines for Multinational Enterprises develop the principles and standards of responsible business conduct for multinational corporations. These guidelines were recently updated in 2011. They cover areas such as employment, human rights, the environment, disclosure of information, the fight against corruption, the interests of consumers, science and technology, competition and taxation. They contain standards set for socially and environmentally responsible business behavior, as well as procedures for resolving disputes between companies and communities or individuals affected by commercial activities.

The OECD’s CSR policy tool aims to help companies better understand their current CSR activities, evaluate its value and identify other CSR activities that can be used. This policy tool is based on the OECD Guidelines and the guiding principles of the ISO26000 standard. The result of the policy tool is a comprehensive CSR policy, including an action plan with tasks, responsibilities and a communication strategy plan.

**Institute of Social Accountability and Ethics**

The AA1000 series of Responsibility Standards is a series of standards that enable
organizations to become accountable, accountable and sustainable.

It consists of the standard (i) AA1000 Accountability Principles (PA). (ii) AA1000 Assurance Standard (AS) (iii) AA1000 Stakeholder Engagement Standard (SES).
Since these standards were formulated as part of a multi-stakeholder consultation process, they ensure that those affected (i.e, businesses, governments and civil society) have everything to gain.

Social Accountability International (SAI)
SA 8000 standard, this is one of the first auditable social certification standards in the world. It is based on the conventions of the ILO, UN and national laws and adopts a management system approach. This standard ensures the protection of workers' fundamental rights. The nine basic elements of this standard are (i) child labor (ii) forced and compulsory labor (iii) health and safety (iv) freedom of association and the right to collective bargaining (v) discrimination (vi) disciplinary practices (vii) hours of work (viii) remuneration (ix) management systems.According to SAAS (Social Accountability Accreditation Services), 695 facilities in India have been accredited with this standard. Of these, Aditya Birla Chemicals (India) Limited, Bhilai Steelworks Authority of India, Birla Tires, Reddy's Laboratories Limited and Reliance Infrastructure Limited are high on the list of certified facilities in India.

ISO 26000: Social Responsibility
It is an orientation tool provided by ISO that enables organizations to understand the meaning and importance of social responsibility. It is important to note that this is not a certification but only a guidance tool. As a result, organizations that comply with these standards are self-certified.

Global Compact self-assessment tool
The tool includes 45 questions with a set of three to nine indicators for each question. It consists of a "management section" and four other sections dealing with human rights, labor, the environment and the fight against corruption, which are linked to the principles of the United Nations Global Compact.
This tool complies with the UN Guiding Principles on Business and Human Rights. For a small business, this tool is used to measure the performance of the company in all areas of the UN Global Compact and how well these issues are managed. For a
large company, this tool enables continuous improvement of existing policies and systems, involving subsidiaries, suppliers or other stakeholders, and improving internal and external reporting.

The SROI network
The social return on investment (SROI) is a framework based on Generally Accepted Accounting Principles (GAAP) that can be used to help manage and understand the social, economic and environmental outcomes created by an organization or individual. In order to increase the social value or impact of a task, SROI helps to understand, manage and communicate the social value created by a particular task in a clear and consistent way with clients, beneficiaries and funders. It also helps to manage risks, identify opportunities and raise funds.

It highlights potential improvements to services, information systems and how to govern businesses. By predicting the value a company expects to create using SROI, it is possible to identify the areas in which changes are needed and a comparison of performance against forecasts will help create additional value.

The LBG (London Benchmarking Group) model
Companies around the world are adopting LBG's measurement model to assess the real value and impact of their community investments on business and society. This model helps businesses understand the total amount of money, time and in-kind invested in the community and allows them to understand the geographic extent of their community support and the type of themes supported such as education, health, arts and culture.

With this model, companies can track how their community program supports broader business objectives, such as boosting employee morale or creating rewards. In addition, it helps to measure the difference their programs make to the community at large. Under this model, member companies share data and best practices that, in turn, help in the benchmarking process.

The Companies Act, 2013
The Companies Act, 2013 has communicated Section 135, Companies (CSR) Rules, 2014 and Schedule VII which prescribes mandatory provisions for Companies to undertake CSR activities. Enactment of Companies Law, 2013 by the Ministry of Corporate Affairs (MCA), Government of India was one of the landmark decision by
Indian government to introduce mandatory CSR provision by imposing statutory obligation on Companies to undertake CSR projects towards social welfare actions. This decision has made India the only country which has regulated and mandated CSR for certain categories of companies registered and fall under the Act.

1.18 LEGAL COMPLIANCES IN CSR (SECTION 135, SCHEDULE VII AND CSR RULES)

In India, the concept of CSR is governed by Section 135 of the Companies Act of 2013, passed by both houses of parliament, in which the President of India gave his assent on August 29, 2013. Section 135, Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII of Companies Act, 2013 prescribes mandatory provisions for Companies to fulfill their CSR.

- **Applicability**

  ![Figure 1.4 Applicability of CSR Provisions](image)

  **Every company of certain financial strength of**

  - Net worth of Rs. 500 Crore or more, or
  - Turnover of Rs. 1000 crore or more, or
  - Net Profit of Rs. 5 crore or more
**Requirement**

Figure 1.5 Prescribed CSR as per Act

*As per recent amendments instead of last three year’s net profit, companies (newly incorporated) now required to spend 2% of net profit of last financial year.

**Highlights**

1) The surplus resulting from CSR activities will have to be reinvested in CSR initiatives, which will be over 2%

2) The company can implement its CSR activities as follows:
   a) Directly by its own means
   b) By its own non-profit foundation to facilitate this initiative
   c) Through independently registered non-profit organizations that have at least three years of experience in similar activities
   d) Collaborate or pool their resources with other companies

3) Only CSR activities in India will be taken into account. Activities intended exclusively for employees and their families are not eligible.

4) A format for the CSR Board Report has been provided which includes, among other things, the activity, the reasons why you spend less than 2% of the average net profit of the previous three years and a statement of responsibility indicating that process is in line with the objectives of CSR, in the letter and in the spirit. This must be signed by the CEO or a director of the company.
The governance

Article 135 of the law defines the guidelines that companies must follow to develop their CSR program. The CSR Committee can also ensure that all types of income generated by CSR activities are credited to the community or CSR corpus.

CSR: Plan and Develop Strategies

The first step towards formalizing CSR projects in an enterprise structure is the formation of a CSR Committee in accordance with the specifications of the Companies Act 2013, Section 135. They will be responsible for preparing a detailed plan of CSR activities, including decisions as regards expenditure, the type of activities to be undertaken, the roles and responsibilities of the individuals concerned and a monitoring and reporting mechanism. The CSR Committee must also ensure that all revenues generated by the company through CSR activities are credited to the CSR corpus. This is an excellent starting point for any new company in the field of CSR. In the case that a company already practices CSR, this committee should be set up as soon as possible so that it can guide the alignment of the company's activities with the requirements of the Act. For effective implementation, the CSR Committee should also oversee the systematic development of a set of processes and guidelines that enable CSR to deliver the value proposed to the company, including:

- Ad hoc processes such as the development of the CSR strategy and the operationalization of the institutional mechanism
- A set of such enabling processes, their interrelationships and the sequence in which they must be developed have been identified below

A CSR committee of the board should be formed. It should consist of at least three directors, at least one of whom is an independent director. This composition will be disclosed in the Board Report in accordance with subsection (3) of section 134. The CSR Committee must develop and recommend to the Board a CSR policy stating the activities specified in Schedule VII to the Act recommend the amount of expenses incurred for activities identified in the policy regularly monitor CSR policy.

Report

The new law requires that the board of the company, after taking into account the recommendations of the CSR Committee, approves the company's CSR policy and discloses the content in its report, as well as on the official website of the company.
The new rules, which will apply from the 2014-2015 fiscal year, also require companies to set up a CSR committee composed of their members of the board of directors, including at least one independent director. The law lists a set of activities eligible for CSR. Companies can implement these activities taking into account local conditions after seeking the approval of the board of directors. Indicative activities that can be by a CSR company have been specified in Schedule VII of the Act. List of activities qualifies as CSR activities Schedule VII (revised) are depicted below.

**Figure 1.6 List of Activities Qualifies as CSR Activities Schedule VII (Revised)**

- **Eradicate hunger, poverty and malnutrition**
- **Promote health, education, vocational skills, livelihood enhancement projects and sanitation including contribution to Swach Bharat Kosh**
- **Equality of gender, women empowerment**
- **Ensure environmental sustainability, ecological balance including contribution to Clean Ganga Fund, Swatcha Bharat Koch**
- **Protect natural heritage, art & culture**
- **Benefits for armed force veterans, war widows and dependents**
- **Train to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports**
- **Contribute to PM’s National Relief Fund and other applicable central government funds**
- **Fund technology incubators located within Central universities**
- **Develop rural development projects**
- **Slum area development**

(Adapted from: bombaychamber.com)
1.19 THE PRESENT PICTURE OF CSR IN INDIA

In 2014, the government made it compulsory for companies to spend 2% of their average annual net profit of three years on CSR activities in each financial year, starting from financial year 2014-15.

The norms apply to companies with net profit of at least Rs 50 million, or turnover of Rs 10 billion, or net worth Rs 50 billion. Since the Companies Act of 2013 required companies to spend on CSR, companies have been disclosing their CSR spend information with varying levels of detail. Studies have shown that both disclosure and expenditure have enhanced over the years.

According to CSRBOX and NGOBOX, total corporate social responsibility (CSR) spending by the top 500 companies in the country since mandatory CSR provisions in 2014 is expected to cross Rs 500 billion by March 2019 and in 2019-20 is expected to improve. Following tables provide clear picture of CSR spending as well as thematic CSR areas during 2014-15 to 2016-17.

Table 1.2 Corporate Social Responsibility (CSR) Spent Position for Financial Years 2014-15 to 2016-17

<table>
<thead>
<tr>
<th></th>
<th>No. of Companies 2014-15</th>
<th>No. of Companies 2015-16</th>
<th>No. of Companies 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than Prescribed Amount</td>
<td>1633</td>
<td>3380</td>
<td>2203</td>
</tr>
<tr>
<td>Prescribed Amount</td>
<td>477</td>
<td>317</td>
<td>19</td>
</tr>
<tr>
<td>Less than Prescribed Amount</td>
<td>4001</td>
<td>6268</td>
<td>3718</td>
</tr>
<tr>
<td>Zero Spent</td>
<td>8833</td>
<td>9219</td>
<td>346</td>
</tr>
<tr>
<td>Total No. of Companies</td>
<td>14944</td>
<td>19184</td>
<td>6286</td>
</tr>
</tbody>
</table>

(Adapted from:https://data.gov.in)

As indicated in above table in the first year of implementation total 1633 companies i.e about 11% have spent more than 2% which increase to 3380 in 2015-16 and again reduce to 2203 in 2016-17. In year 2014-15 total 4001 companies stick to 2% prescribed norm which rise to 6268 in 2015-16 and 3718 in 2016-17. Eyeballing on above table further shows that still many companies have spent less than prescribed and many companies have not contributed any amount for CSR expenditure.
Table 1.3 Top 5 States as CSR Fund Receivers (FY 14-15 to FY 18-19)

<table>
<thead>
<tr>
<th>State</th>
<th>Total CSR Fund (INR Cr)</th>
<th>% of India’s total CSR Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>7473</td>
<td>15.59%</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>2962</td>
<td>6.18%</td>
</tr>
<tr>
<td>Karnataka</td>
<td>2852</td>
<td>5.95%</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2531</td>
<td>5.28%</td>
</tr>
<tr>
<td>West Bengal</td>
<td>2181</td>
<td>4.55%</td>
</tr>
</tbody>
</table>

(Adapted from: https://csrbox.org/CSR-in-India)

Chart 1.1 Top 5 States as CSR Fund Receivers (FY 14-15 to FY 18-19)

With total Rs. 7473 crore rupees Maharashtra becomes highest CSR fund receiver state followed by Rajasthan. Out of total CSR fund Rs. 2531 crore has been spent in Gujarat which comes to 6.18 % of total CSR fund. Compare to Gujarat Rs.4942 crore more spent in Maharashtra by different companies. In terms of top five fund receiver states Gujarat is on fourth position. With Rs. 2181 crore spending West Bengal is on the fifth number in terms of highest CSR fund receiver State.
Table 1.4 Thematic Focus for CSR Expenditure by Companies from 2014-15 to 2016-17

(Rs. in crore)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Sectors</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health/Eradicating Hunger/Poverty and malnutrition/Safe drinking water/Sanitation</td>
<td>2525.93</td>
<td>4545.00</td>
<td>3396.88</td>
</tr>
<tr>
<td>2</td>
<td>Education/ Differently Abled/ Livelihood</td>
<td>3188.09</td>
<td>4881.26</td>
<td>5123.66</td>
</tr>
<tr>
<td>3</td>
<td>Rural development</td>
<td>1077.47</td>
<td>1427.14</td>
<td>1550.24</td>
</tr>
<tr>
<td>4</td>
<td>Environment, Animal Welfare, Conservation of Resources</td>
<td>835.88</td>
<td>905.62</td>
<td>1239.52</td>
</tr>
<tr>
<td>5</td>
<td>Swachh Bharat Kosh</td>
<td>113.86</td>
<td>324.73</td>
<td>165.09</td>
</tr>
<tr>
<td>6</td>
<td>Any Other Funds</td>
<td>277.10</td>
<td>326.89</td>
<td>412.40</td>
</tr>
<tr>
<td>7</td>
<td>Gender equality/Women empowerment/Old age homes/Reducing inequalities</td>
<td>189.92</td>
<td>337.45</td>
<td>434.78</td>
</tr>
<tr>
<td>8</td>
<td>Prime Minister's National Relief Fund</td>
<td>228.18</td>
<td>213.71</td>
<td>150.71</td>
</tr>
<tr>
<td>9</td>
<td>Encouraging Sports</td>
<td>57.62</td>
<td>137.58</td>
<td>172.56</td>
</tr>
<tr>
<td>10</td>
<td>Heritage Art and Culture</td>
<td>117.37</td>
<td>117.58</td>
<td>296.86</td>
</tr>
<tr>
<td>11</td>
<td>Slum Area Development</td>
<td>101.14</td>
<td>14.31</td>
<td>49.8</td>
</tr>
<tr>
<td>12</td>
<td>Clean Ganga Fund</td>
<td>5.47</td>
<td>32.65</td>
<td>24.23</td>
</tr>
<tr>
<td>13</td>
<td>Other Sectors ( Technology Incubator And Benefits To Armed Forces, Admin Overheads and others )</td>
<td>1347.9</td>
<td>1102.38</td>
<td>447.57</td>
</tr>
<tr>
<td><strong>Total Amount (in Rs. Crore)</strong></td>
<td><strong>10065.93</strong></td>
<td><strong>14366.29</strong></td>
<td><strong>13464.30</strong></td>
<td></td>
</tr>
</tbody>
</table>

(Adapted from:https://data.gov.in)
Above table describe sector-wise spending on CSR activities by companies in India. It is clearly visible from table that health and education remains top most priority by companies for first three years of mandatory CSR provision.

As disclosed in the table large portion of total CSR fund is spent for healthcare, education and rural development projects.

The table also revealed that an upward trend has been seen year after year when it comes to CSR compliance by Indian companies. Except few areas, CSR expenditure is rising gradually in almost all areas. It can also be noted that Indian companies have made all attempt to make their CSR portfolio diversified by allocating fund to almost all areas mentioned in CSR rules 2014.

1.20 CSR IN CEMENT INDUSTRY

Corporate Social Responsibility has been very popular among businesses and large corporations One of the main goals of CSR is to gain trust by showing that the company meets the needs of the community. Today, the Indian cement industry is very important, its installed capacity is the second largest, and it has grown very fast in recent years.

Cement has a strong environmental footprint because the actual cement production process releases CO₂ and consumes a lot of energy, both thermal and electrical, mainly through captive coal-fired power plants. At the same time, the cement sector has been very active in reducing its impact on the environment by mixing fly ash, recovering waste heat, using waste from other processes as an energy input, green cover growth, etc.

According to KPMG India’s CSR reporting survey (2017) the cement and cement product sector industry tops the list of spending at 125 per cent against the prescribed two percent amount. As against prescribed CSR INR 124 crore, cement companies have spent INR 155 crore in the year 2016-17. This figure evident keen interest and concern by cement companies for CSR activities.

The report also noted Maharashtra, Haryana and Gujarat have expected the highest funding from CSR and average project cost in Gujarat is INR 3.6 crore. In the list of top ten companies which have successfully incorporated CSR initiatives in their
policies in 2018 also includes Tata Chemicals Limited, Ambuja Cements Limited, UltraTech Cement Ltd.

In addition to investments in carbon reduction techniques, the sustainability commitment of the cement industry is mostly expressed in its corporate social responsibility (CSR) expenditure, which has often surpassed the mandatory 2% of net profit after tax.

As reported by CMA, in FY 16-17, investments in CSR activities was amounted to INR 2.2 billion, or 3.7% of after-tax profit. Of this total, 38 per cent was spent for providing education and training and 23 per cent on promoting healthcare and sanitation.

Few notable CSR initiatives undertaken by the Indian cement industry includes:

- Creation of green belts nearby plant location. For each 1Mta plant, nearly 50m trees or 125,000 saplings were planted
- More than 60 water bodies were created for water harvesting in drought areas
- Adoption of more than 700 neighborhood villages for the advantage of employees and residents of neighboring villages for fundamental education, primary health care, water supply and clean atmosphere
- Establishment of 225 primary and secondary schools and funding of 25 colleges

Following table further highlight key CSR project, companies undertaking the project, CSR project budget as well as location of the project which researcher has derived from website of CSRBOX.

All project details are for fiscal year 2017-18. The details about CSR projects by Cement Companies in India are depicted here:

**Table 1.5 CSR Projects by Cement Companies in India in 2017-18**

<table>
<thead>
<tr>
<th>Name of Companies</th>
<th>Project</th>
<th>Project Location</th>
<th>Project Budget (INR Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultra Tech Cement Ltd</td>
<td>School Education Project</td>
<td>Bolpur-West Bengal, Patna-Bihar, Jhajjar-Haryana, Bathinda-Punjab,</td>
<td>20.22 Cr</td>
</tr>
<tr>
<td>Ultra Tech Cement Ltd</td>
<td>Rural Development</td>
<td>Jaipur-Rajasthan, Kurnool-Andhra Pradesh, Ariyalur-Tamil Nadu, Chandrapur-Maharashtra, Bathinda-Punjab</td>
<td>7.98 Cr</td>
</tr>
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<td>-------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>ACC Limited</td>
<td>ACC VidyaUtkarsh</td>
<td>Sheopur-Madhya Pradesh, Bundi-Rajasthan, Purulia- West Bengal, Chandrapur-Maharashtra, Coimbatore-Tamil Nadu,</td>
<td>5.46 Cr</td>
</tr>
<tr>
<td>Ultra Tech Cement Ltd</td>
<td>School Infrastructure</td>
<td>Bolpur-West Bengal, Bihar, Jhajjar-Haryana, Panipat-Haryana, Aligarh-Uttar Pradesh,</td>
<td>5.39 Cr</td>
</tr>
<tr>
<td>Ramco Cements Ltd</td>
<td>Computer Training for Rural Students</td>
<td>Chennai-Tamil Nadu,</td>
<td>5.12 Cr</td>
</tr>
<tr>
<td>ACC Limited</td>
<td>ACC DISHA</td>
<td>Bilaspur- Himachal Pradesh, Karmi-Madhya Pradesh, Bundi-Rajasthan, Bargarh-Orissa, Coimbatore-Tamil Nadu,</td>
<td>3.93 Cr</td>
</tr>
<tr>
<td>Ultra Tech Cement Ltd</td>
<td>Promoting Sanitation &amp; Safe Drinking Water Facilities</td>
<td>Jaipur-Rajasthan, Neemuch-Madhya Pradesh, Kalaburagi-Karnataka, Chandrapur-Maharashtra, Bolpur-West Bengal,</td>
<td>4.60 Cr</td>
</tr>
<tr>
<td>Company</td>
<td>Project Type</td>
<td>Locations</td>
<td>Amount</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------------</td>
<td>------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Ultra Tech Cement Ltd</td>
<td>Rural Development Projects</td>
<td>Chittorgarh-Rajasthan, Jharsuguda-Odisha, Bhuj-Gujarat, Kalaburagi-Karnataka</td>
<td>3.74 Cr</td>
</tr>
<tr>
<td>Orient Cement Ltd.</td>
<td>School Infrastructure Development</td>
<td>Adilabad-Telangana,</td>
<td>3.36 Cr</td>
</tr>
<tr>
<td>J.K. Cement Ltd.</td>
<td>Infrastructure Development</td>
<td>Chittorgarh-Rajasthan, Mangrol-Rajasthan, Gotan-Rajasthan, Rupond-Madhya Pradesh, Shahbad-Rajasthan,</td>
<td>2.44 Cr</td>
</tr>
<tr>
<td>Ramco Cements Ltd</td>
<td>Promoting Healthcare</td>
<td>Chennai-Tamil Nadu,</td>
<td>2.42 Cr</td>
</tr>
<tr>
<td>ACC Limited</td>
<td>ACC-SampoornaSwachhta</td>
<td>Bundi-Rajasthan, Purulia-West Bengal, Yavatmal-Maharashtra, Bellary-Karnataka, Coimbatore-Tamil Nadu</td>
<td>2.28 Cr</td>
</tr>
<tr>
<td>Ultra Tech Cement Ltd</td>
<td>Natural Resource Conservation Programs</td>
<td>Jaipur-Rajasthan, Chittorgarh-Rajasthan, Solapur-Maharashtra, Kurnool-Andhra Pradesh, Ariyalur-Tamil Nadu</td>
<td>2.15 Cr</td>
</tr>
<tr>
<td>ACC Limited</td>
<td>ACC - Swavlamban</td>
<td>Bundi-Rajasthan, Purulia-West Bengal, Yavatmal-Maharashtra, Coimbatore-Tamil Nadu, Bellary-Karnataka</td>
<td>2.09 Cr</td>
</tr>
<tr>
<td>Birla Corporation Ltd.</td>
<td>Construction of Multi-Specialty Hospital</td>
<td>Chanderia-Rajasthan,</td>
<td>2.00 Cr</td>
</tr>
<tr>
<td>Company</td>
<td>Project</td>
<td>Locations</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Ramco Cements Ltd</td>
<td>Rural Development Project</td>
<td>Chennai-Tamil Nadu, Alwar-Rajasthan, Purulia- West Bengal, Yavatmal-Maharashtra, Coimbatore-Tamil Nadu, Bellary-Karnataka</td>
<td>1.70 Cr</td>
</tr>
<tr>
<td>ACC Limited</td>
<td>ACC Arogyam</td>
<td>Alwar-Rajasthan, Purulia- West Bengal, Yavatmal-Maharashtra, Coimbatore-Tamil Nadu, Bellary-Karnataka</td>
<td>2.00 Cr</td>
</tr>
<tr>
<td>ACC Limited</td>
<td>ACC- LIESA</td>
<td>Karni-Madhya Pradesh, Purulia-West Bengal, Yavatmal-Maharashtra, Coimbatore-Tamil Nadu, Bundi-Rajasthan</td>
<td>1.77 Cr</td>
</tr>
<tr>
<td>Mangalam Cement Limited</td>
<td>Chief Minister Water Swavalamban Campaign</td>
<td>Kota-Rajasthan</td>
<td>0.10 Cr</td>
</tr>
<tr>
<td>Mangalam Cement Limited</td>
<td>Support to govt ITI</td>
<td>Kherbad-Rajasthan</td>
<td>0.32 Cr</td>
</tr>
</tbody>
</table>

(Adapted from: https://csrbox.org/CSR-projects-by-Cement-companies-in-India)

### 1.21 CONCLUSION

CSR clearly has an impact on our businesses, our society and our educational organizations. Despite its complexities, many initiatives in sustainable development suggest a continued positive impact. CSR policy should function as an integrated and self-regulating mechanism for companies to monitor and enforce their compliance with the law, ethical standards and international standards. In recent years,
companies have played an important role to fulfill responsibilities towards various stakeholders. Businesses have begun to realize the importance of CSR and to take steps in this direction. There is a need to raise public awareness of CSR in order to make CSR initiatives more effective. This effort will also encourage other companies to join the league and play an effective role in solving problems such as access to education, healthcare and the livelihoods of a large number of Indian people through their innovative CSR practices. It is difficult for one entity to make changes because it is huge in size. Effective partnerships between business, NGOs and government will accelerate India's social development. The CSR regime in India is in its infancy and there will be problems, and it will take a lot of tweaking before reaching a perfect balance. What is commendable is the spirit with which India has made its enterprises socially responsible and has in this respect lead the most developed nations of the world.