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“A STUDY ON THE CURRENT CSR POLICY IN INDIA AND ITS IMPACT ON INDIAN AND FOREIGN COMPANIES”

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ABSTRACT

CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Within such a short period, the entire landscape of CSR in India has taken a radical flight. Companies eligible under section 135 of the Companies Act 2013 have embraced the law and initiated a number of CSR projects across the entire spectrum. India has become the only country in the world with legislated corporate social responsibility and a spending threshold of up to \$2.5 billion.

According to industry estimates, around 8,000 companies will fall into the ambit of the CSR provisions and this would translate into an estimated CSR spend of \$1.95 billion to \$2.44 billion. With higher economic growth and increase in companies' profits, this mandatory spending will go up. Notable efforts have come from the Tata Group, Infosys, Mahindra and Mahindra, Indian Oil Corporation etc as Indian MNCs whereas the contribution from the foreign companies also increased. Few among them are Microsoft, Google, Apple, Sony etc.

This paper aims to analyse the impact of the New Companies Act 2013 on the Indian and foreign companies towards CSR.

KEYWORDS: Companies Act, CSR, Empowerment, Notable, Shareholder, Wealth Maximisation.

INTRODUCTION

Business dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources." CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society.

CORPORATE SOCIAL RESPONSIBILITY - INDIAN COMPANIES ACT (2013)

India's new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business" Companies Act 2013 (Companies Act) has introduced several new

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provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. By performing the task of CSR activities, the companies are giving something back to the society.

Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014.

Applicability: Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

CSR Committee and Policy: Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

Definition of the term CSR: The term CSR has been defined under the CSR Rules which includes but is not limited to:

- Projects or programs relating to activities specified in the Schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

Activities under CSR: The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

Local Area: Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also choose to associate with 2 or more companies for fulfilling the CSR activities provided that they are able to report individually. The CSR Committee shall also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken, prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create share value.

The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

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CORPORATE SOCIAL RESPONSIBILITY – INDIAN COMPANIES

The contribution of the Indian companies towards CSR is rapidly growing compare to the prior financial years. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu. Although corporate India is involved in CSR activities, the central government is working on a framework for quantifying the CSR initiatives of companies to promote them further. According to Minister for Corporate Affairs, one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to the system of carbon credits which are given to companies for green initiatives.

Mahindra & Mahindra

Mahindra and Mahindra stand first towards the contribution of CSR. It focuses on the girl child, youth and farmers through programmes in the domains of education, public health and environment. Mahindra Pride Schools provide livelihood training to youth from socially and economically disadvantaged communities and have trained over 13,000 youth in Pune, Chennai, Patna, Chandigarh and Srinagar. M&M sponsors the Lifeline Express trains that take medical treatment to far flung communities. Then there's Project Hariyali, which has planted 7.9 million trees till the month of October 2015, including four million trees in the tribal belt of Araku Valley. M&M has constructed 4,340 toilets in 1,171 locations across 11 states and 104 districts specifically for girls in government schools as part of Swachh Bharat Swachh Vidyalaya. Expenditure on CSR in the last fiscal was Rs 83.24 crore — 2% of PAT.

Flagship Programme was Set up by Anand Mahindra in 1996, Project Nanhi Kali supports the education of over 11 lakh underprivileged girls in ten states, providing material support (uniforms, bags, notebooks, shoes and socks) and academic support (workbooks, study classes). The key outcomes of the project include an increase in both enrolment of girls in schools and curtailing dropouts to less than 10%.

Tata Steel

As the ancient contributor of CSR, the role of TATA group of companies is infinite. It contributed in areas like Education, healthcare, facilitation of empowerment and sustainable livelihood opportunities, preservation of ethnicity and culture of indigenous communities and sports. Initiatives run across ten districts in Jharkhand, Odisha and Chhattisgarh, covering nearly 500 core villages. Total spending in 2014-15 on CSR was Rs 171.46 crore, which is 2.04% of the average net profit of the last three fiscals.

Flagship Programme - Maternal and Newborn Survival Initiative (MANSI), a public-private initiative, is being implemented in 167 villages of the Seraikela block of Jharkhand's Seraikela-Kharsawan district since 2009. The project goals are to reduce child and infant mortality. MANSI has achieved improvement in all process and outcome indicators, such as reduction in neonatal mortality by 32.7%, reduction in infant mortality (up to the age of one year) rate by 26.5%, increase in institutional delivery from 58% to 81%. Based on the early evidence of success and learnings from the MANSI project, Tata Steel is scaling up the project to cover 1,500 villages.

L&T

L&T is one of the leading Indian Multi National Company and it contributed wisely in CSR initiatives. The area includes Water and sanitation, education, healthcare and skill building. L&T partners with local governments on health programmes focused on reproductive health, tuberculosis & leprosy control, integrated counselling & testing centres for HIV/ AIDS. L&T's community health centres are located at Mumbai, Thane, Ahmednagar, Hazira, Vadodara, Coimbatore, Chennai, Lonavala and Kansbahal. L&T's Construction Skills Training Institute (CSTIs), established in 1994, provide skills training to rural youth. In the last fiscal, L&T spent Rs 76.54 crore on CSR, amounting to 1.44% of the average net profit for the preceding three years.

Flagship Programme - L&T recently committed to the construction of 50 check dams in Talasari block of Palghar district in Maharashtra, taking the total number of check dams constructed over the years to 150. This will benefit over 75,000 villagers.

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Infosys

Infosys with its own Foundation, headed by Sudha Murty, works towards removing malnutrition, improving healthcare infrastructure, supporting primary education, rehabilitating abandoned women and children and preserving Indian art and culture. Infosys Foundation USA is focused on bridging the digital divide in America by supporting computer science education and training in underrepresented communities. In FY15, Infosys spent 2% of its average net profit for the three preceding financial years on CSR.

Flagship programme - *The Infosys Foundation mid-day meal program*, an initiative in partnership with the Akshaya Patra Foundation, spans several states across India.

The above mentioned Indian companies are the few drops of ocean which contribute for the betterment of the society. Apart from them, companies like GAIL, Jubilant Life Sciences, and Bharat Petroleum etc also provide a notable contribution.

CORPORATE SOCIAL RESPONSIBILITY – FOREIGN COMPANIES

After globalization there was an enormous change in the worldwide business system. One among that was the invader from foreign countries who started to establish their footprints in various other countries. In Asia India is considered to be one the leading country which attracts foreign investment. Branches of many foreign companies have been located in India. Few among them are Microsoft India, Google India, PepsiCo India, and Coca Cola India etc. The contribution of the foreign companies in the CSR initiatives in India is remarkable.

Microsoft

Microsoft Youth Spark is committed to helping young people capture opportunity. Use programs to learn skills, to prepare for the jobs of the future, even to start our own business. Youth Spark is created for us. Apart from this they provide. Microsoft in partnership with the Rotary International District 3010 announced this week that it will be providing the Microsoft IT Academy to 150 schools in Delhi. The IT Academy includes online educational content, course materials and learning tools. The goal of the project is to improve IT literacy in India. Apart from this Microsoft India Has Invested Around \$100 Million in Educational Projects.

Google

Google has announced support to three Non-profits in India, with \$500,000 in grants to promote child safety campaigns. With the grant, Google aims to support nonprofits with smart applications of technology, and help scale initiatives aimed towards child safety programs and campaigns in India. The nonprofit organisations are Childline India Foundation, Bachpan Bachao Andolan and Tulir. Google also Launches Rs 12 Crores Hunt for India's Most Innovative Social Entrepreneurs.

PepsiCo

PepsiCo India has partnered with Akshaya Patra, an NGO that supports the "Mid-day meal" program launched by Government of India feeding over 1.4 million underprivileged students every day of the school year, in 20 locations, across 9 states in India. For children belonging to the weaker economic sections of society, a full meal, even once a day, is a strong incentive to stay in school. This program enables hunger free education and it has lead to a significant rise in enrollment and attendance. So this partnership has a simple but powerful mission - to change the trajectory of countless lives in our community. In the first stage, PepsiCo India is funding equipment and vehicles to set up a kitchen, near Kapashera, Delhi which has the capacity to feed 75,000 children through the mid-day meal program. Through this program PepsiCo India employees can participate in this cause by contributing as little as Rs 3375 (@ Rs. 675 per child) to keep 5 children in a school in a year. PepsiCo foundation will match the employee contribution and double the impact.

Like Indian companies even foreign companies contribute for the society.

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CONCLUSION

The study can be concluded with few points about the CSR initiatives by the Indian and Foreign Companies. The contribution of the companies towards CSR Initiatives has been increased in double compare to the prior financial years. The change in the companies' act 2013 which made CSR mandatory for major large scale industries in India carries both pros and cons to the companies. The FCRA norms under the act may hurt the Indian companies with large foreign shareholding but the contribution spread and spend by the companies will provide sufficient market promotion for their products in the future.

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