CORPORATE SOCIAL
RESPONSIBILITY PRACTICES IN INDIAN
COMPANIES – A CASE OF INDIA

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ABSTRACT

In the recent times the term Corporate Social Responsibility is became as a buzzword in the academic and corporate arena. Corporate organizations are the part and parcel of the society, and are responsible to contribute something for the well being of the society. In recent years Corporations around the world are struggling with a new role of discharging its responsibility towards society, environment, market place and workplace. Corporate Social Responsibility refers to the set of policies, practices and programs integrated into business operations, supply chains and decision-making processes throughout the organizations business. CSR is a set of programs initiated by the corporations that fairly balances the claims of all key stakeholders by complying with the legal, ethical, commercial and other expectations of the society from a business endeavor. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. The present paper provides a brief account of corporate social responsibility (CSR) evolution, National voluntary guidelines, Companies Act 2013 and the practice and programs initiated by the Infosys Company in the present day globalised industrial environment.

Key words: Corporate Social Responsibility, Companies Act 2013, CSR Committee, CSR Reporting.

Introduction

The concept of Corporate Social Responsibility (CSR) has been part of the academic and business vocabulary for decades. According to Meehan et al. (2006), CSR together with the concepts of Corporate Social Performance and Corporate Citizen are three perspectives under the main headline Corporate Responsibility (CR). Briefly, CSR may be interpreted as voluntary and philanthropic acts by business firms designed to alleviate social problems or benefit a disadvantaged group chosen by the firms’ managers. Corporate Social Performance is about the configuration of the firm’s principles for social responsibility, processes of social reaction and policies, programs and observable results related to the firm’s social relations (Wood, 1991). Corporate Citizen can be perceived as a process that focuses on protecting individuals economically and social and political rights in an era when globalization is eroding national guidance of these rights (Mattan and Crane, 2005). In line with these developments, the concept of code of conduct has also emerged that is a set of rules to guide behavior and decisions of companies, suppliers and other business partners. In this paper, the focus is on the concept of CSR.

The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

CSR is concerned with, treating the stakeholders of the firm ethically or in a responsible manner. ‘Ethically or responsibly’ means treating the stakeholders in a manner deemed to acceptable in a civilized society. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.
The PwC 2013 survey on CSR reveals that, 76% of companies believe that CSR will become very important in five years’ time. Over half of the respondents attach importance to environmental and social issues. In particular, companies illustrate concern over water and energy consumption, health and safety, pollution and waste management. 84% of companies feel strongly about their responsibility, towards their people, to create an ethical and safe working environment. This goes beyond ensuring compliance with occupational health and safety standards and deals with ethical behaviour in their HR practices and service delivery. (PwC.2013)

**Evolution of CSR in India**

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society.

In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment (Shinde, 2005). It has also been found that to a growing degree of companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR.

After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures of the society. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs. Traditionally, it has discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as a part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company was started the concepts of “Social Responsibility.” (Gupta, 2007)

The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then refined by Wartick and Cochran (1985). In Sethi’s 1975 three-level model, the concept of corporate social performance was discussed, and distinctions made between various corporate behaviors. Sethi’s three tiers were ‘social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive) (Cochran, 2007).

The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations (Mohan, 2001). This was evident from a sample survey conducted in 1984 reporting that of the amount of companies spent on social development, the largest sum 47 percent was spent through company programs, 39 percent was given to outside organizations as aid and 14 percent was spent through company trusts (Working Document of EU India CSR, 2001). In India as in the rest of the world there is a growing realization that business cannot succeed in a society, which fails to contribute for the wellbeing of the society. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status (Bajpai, 2001).

According to Infosys founder, Narayana Murthy, ‘social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment’. Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relation with stakeholders (Bajpai, 2001).

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community

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development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

Why are companies engaged in CSR?

The general public now expects companies to not only make good products and provide good services but also be good neighbours and generally socially responsible. And many companies are increasingly recognizing that effective management of environmental and social risks can improve the bottom line by optimizing operations and making them more competitive. So they’re adopting corporate social responsibility (CSR) frameworks.

Corporate enterprises in the present competitive business environment are socially responsible in making profits also contribute to some, although obviously not all aspects of social development. Every company should not be expected to be involved in every aspect of social development of a nation. However, a firm to be involved in some aspects, both within the firm and on the outside, will make its products and services more eye-catching to consumers as a whole, therefore making the company more profitable. This activity will increase the costs to implement CSR, but the benefits are likely to far offset the costs.

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business

Voluntary CSR guidelines create a common standard for how companies can improve their CSR efforts, especially with regard to sustainability. The adoption of a common set of standards creates an expectation that companies will strive to meet the guidelines, and can create peer and public pressure for companies failing to comply. In this regard, the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business, have been laid down by the Ministry of Corporate Affairs in order to provide companies with guidance in dealing with the expectations of inclusive growth and imperatives of climate change, while working closely within the framework of national aspirations and policies. These are applicable to all businesses irrespective of size, sector or location. The NVGs were designed with the intent of assisting enterprises to become responsible entities whereby they formulate their financial/business objectives while considering the impact on various diverse stakeholders including society and environment at large.

The Nine Principles of National Voluntary Guidelines are:

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability.
Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3: Businesses should promote the wellbeing of all employees.
Principle 4: Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5: Businesses should respect and promote human rights.
Principle 6: Business should respect, protect, and make efforts to restore the environment.
Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8: Businesses should support inclusive growth and equitable development.
Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

In the last decade, CSR has been a focus of all stakeholders including the government, corporate sector, media, customers, suppliers, employees and communities. The Government of India’s initiative to provide a mandate to public sector enterprises to spend a certain percentage of profit after tax for CSR has set the wheels in motion for increased contribution and more socially responsible behavior to lead to inclusive growth. Moreover, the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of business by the Ministry of Corporate Affairs indicates that governments emphasize on CSR and engaging public and private companies and enhancing their contribution toward lessening the gap between economic and social progress.

Current Scenario in CSR

In the year 2003, Corporate Responsibility for Environmental Protection (CREP) was introduced by the Indian government as a guideline for 17 polluting industrial sectors. There was however no real pressure for implementation or internalization. Besides individual efforts by all the countries, internationally also some CSR standards and guidelines have been defined. These international CSR standards and guidelines include the ILO
In India, the Companies Act 1956 does not contain any provision regarding corporate social responsibility. The scene of CSR in India changed with the introduction of Companies Act 2013. The industrial lobbies are abuzz with the CSR clause introduced by the Companies Act 2013. According to the Indian Institute of Corporate Affairs, of the 1.3 million companies in India, about 6,000-7,000 companies are covered under the new CSR rule (Toms Mana P., 2013). Scholars, industry insiders, politicians and the civil society are debating the earmarking of 2% of the net profits of a qualifying company for CSR initiatives and earmarking the avenues for CSR initiatives under Schedule VII (Gahlot Sushmita, 2013).

The Companies Act, 2013

In August 2013, the Indian parliament passed the Indian Companies Act, 2013 (the "New Act"), which has replaced 57 years the Companies Act of 1956. The New Act has made far-reaching changes affecting company formation, administration and governance, and it has increased shareholder control over board decisions. The New Act is being implemented stage by stage, and we have been monitoring its progression.

One of the New Act's most startling changes which came into effect on April 1, 2014 has been to impose compulsory corporate social responsibility obligations ("CSR") upon Indian companies and foreign companies operating in India. These obligations mainly come in the form of mandatory amounts companies must contribute to remediating social problems. This is a wholly new requirement; although companies were permitted, within certain limits, to make charitable contributions in the past, the New Act is essentially a self-administered tax. The Indian Ministry of Corporate Affairs recently has published, or "notified," detailed rules implementing the CSR requirements.

Entities Covered by the CSR Obligations

The threshold coverage levels for CSR are low. Companies are subject to the CSR requirements if they have, for any financial year:

- A net worth of at least Rs. 5 billion (approximately U.S.$80 million);
- A turnover of at least Rs. 10 billion (approximately U.S.$160 million); or
- Net profits of at least Rs. 50 million (approximately U.S. $800,000).

Companies meeting these thresholds are required to develop a CSR policy, spend a minimum amount on CSR activities and report on these activities, or prepare to explain why they didn’t. An entity or business that meets these specified thresholds must spend on CSR activities no less than two percent of its average net profit for its preceding three financial years. Net profit means a company's profits as per its profit and loss account prepared in accordance with the New Act, but excludes profits from a company's operations outside India or dividends received from an Indian company that has itself met its CSR requirements.

Activities Qualifying as CSR Initiatives

The Draft Rules for CSR list the following areas towards which a company can direct its CSR funds: i. Eradicating extreme hunger and poverty, ii. Promotion of education, iii. Promoting gender equality and empowering women, iv. Reducing child mortality and improving maternal health, v. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases, vi. Ensuring environmental sustainability, vii. Employment enhancing vocational skills, viii. Social business projects, ix. 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, x. Such other matters as may be prescribed (Companies Act, 2013).

Also, CSR initiatives shall exclude the projects or programmes undertaken in pursuance of normal course of business. Apart from this CSR funds shall not be used for the benefit of the employees or the family members of the employees.

The Board of a company may decide to undertake its CSR activities approved by the CSR committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise.

CSR Committees

As per the rule of companies’ act 2013 the companies shall constitute CSR Committee. An unlisted public company or a private company covered under sub-section (1) of section 135 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director: a private company having only two directors on its Board shall constitute its
CSR Committee with two such directors: with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company. The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

**CSR Reporting**

- A brief outline of the company’s CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
- The Composition of the CSR Committee.
- Average net profit of the company for last three financial years
- Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)
- Details of CSR spent during the financial year.
  - Total amount to be spent for the financial year;
  - Amount unspent, if any;
  - Manner in which the amount spent during the financial year is detailed below. (Ministry of Corporate Affairs, 2014).

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The Companies Act, 2013 has introduced the concept of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

CSR practices can help the organisation to avoid the risk of corruption scandals, environment disasters, child labour violations and dangerous work environment. These incidents also draw unwanted attention from regulators, courts, governments and media. A genuine effort in playing straight and having good CSR record with the right check insulates the companies from such risks.

**Corporate Social Responsibility in Infosys Limited**

Infosys Limited was started in 1981 by seven people with US$ 250. Today, the company is a global leader in consulting, technology and outsourcing with revenues of US$ 7.231 billion (LTM Q3 FY13). Many of the world’s most successful organizations rely on Infosys to deliver measurable business value. Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow’s enterprise. The company award-winning Infosys Labs and its breakthrough intellectual property can be leveraged as a co-creation engine to accelerate innovation across the enterprise.

Infosys pioneered the Global Delivery Model (GDM), based on the principle of taking work to the location where the best talent is available, where it makes the best economic sense, with the least amount of acceptable risk. Continued leadership around GDM enables Infosys to drive extraordinary efficiencies and free up clients’ resources for strategic transformation or innovation initiatives.

Infosys has a global footprint with 67 offices and 69 development centers in US, India, China, Australia, Japan, Middle East, UK, Germany, France, Switzerland, Netherlands, Poland, Canada and many other countries. Infosys and its subsidiaries have 155,629 employees as by Dec 31, 2012. Infosys takes pride in building strategic long-term client relationships. 97.5% of its revenues come from existing customers (Q3 FY13). Infosys gives back to the community through the Infosys Foundation that funds learning and education.

**CSR in Infosys**
Infosys Limited has been an early adopter of Corporate Social Responsibility initiatives. Along with a sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. We established the Infosys Foundation in 1996 as a not-for-profit nodal body aimed at providing a dedicated approach to community development and also to fulfill our CSR commitments. Infosys Foundation works towards removing malnutrition, improving healthcare infrastructure, supporting primary education, rehabilitating abandoned women and children, and preserving Indian art and culture. Infosys Foundation partners with non-government organizations (NGOs) to make a difference among local communities. The Company’s focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations.

Infosys Foundation has worked to support the underprivileged in society and enrich their lives. Promoted by Infosys Technologies Limited, the Foundation began its work in Karnataka, India, gradually extending its activities to the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa and Punjab. Making high-quality healthcare the norm is an ongoing challenge. Since its inception, the Foundation has initiated several activities that benefit the rural and urban poor. Apart from constructing hospital wards, donating hi-tech equipment and organizing health camps, the Foundation also distributes medicines to economically-weaker sections in remote areas.

It is organizing an annual mela that empowers penniless women or building orphanages that give children a better life, the Foundation's activities address the needs of society's most neglected. The Foundation has organized unique annual melas in different parts of the country, including Bangalore and Sedam in Karnataka, and Chennai in Tamil Nadu, to distribute sewing machines to poor women and help them earn a livelihood. The Foundation also offers an edge to deprived and rural students, through its activities. In one of the largest rural education programs in the country, the foundation has donated 10,200 sets of books in Karnataka alone, and in Andhra Pradesh, Karnataka, Orissa and Kerala, under its Library for Every Rural School project. Through this program, the Foundation has set up more than 10,150 libraries in rural government schools. A minimum of 200 books, depending on the strength of the school, is provided.

The Foundation has helped revive the art of the weavers of Pochampalli village in Andhra Pradesh. It helps organize cultural programs to promote artists in rural areas of Karnataka and Andhra Pradesh. It organizes programs like puppet shows and other cultural events to encourage artistes and performers in rural areas of Karnataka and Andhra Pradesh, and offers them financial assistance to carry forward their art.

Since 2004, Infosys has embarked on a series of initiatives to consolidate and formalize its academic relationships worldwide under the umbrella of a program called Ac E – Academie Entente. Through case study writing, participation in academic conferences and university events, research collaborations, hosting study trips to Infosys Development Centers and running the In Step Global Internship Program, the company communicates with important stakeholders in the academia.

Infosys Foundation has implemented projects in four key areas: Healthcare; Social Rehabilitation & Rural Upliftment; Learning & Education; and Art & Culture. Apart from the Foundation, Infosys Technologies develops programs in the area of environment, health and safety (EHS).

**Focus Areas**

In accordance with the requirements under the Companies Act, 2013, Infosys CSR activities will focus on:

Hunger, Poverty, Malnutrition and Health: Eradicating extreme hunger, poverty and malnutrition, promoting preventive healthcare and sanitation, and making accessible safe drinking water.

Education: Promoting education, including special education and employment-enhancing vocational skills especially among children, women, elderly and the differently abled; and livelihood enhancement projects; monetary contributions to academic institutions for establishing endowment funds, chairs, laboratories, etc., with the objective of assisting students in their studies.

Rural Development Projects: Strengthening rural areas by improving accessibility, housing, drinking water, sanitation, power and livelihoods, thereby creating sustainable villages.

Gender Equality and Empowerment of Women: Promoting gender equality and empowering women; setting up homes, hostels and day care centers for women and orphans; setting up old age homes and such other facilities for senior citizens; and adopting measures for reducing inequalities faced by socially and economically backward groups.

Environmental Sustainability: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining the quality of soil, air and water.

National Heritage, Art and Culture: Protecting national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promoting and developing traditional arts and handicrafts.
CSR Committee

The company appointed a committee with 3 independent directors and one executive director as per the rule of companies Act 2013. The purpose of is to formulate and monitor the CSR policy of the company. The CSR committee has adopted a policy that intended to strive for economic development that positively impacts the society at large with a minimal resources footprint and be responsible for the corporation’s actions and encourage a positive impact through its activities on the environment, communities and stakeholders. The committee will be overseeing the activities/ functions of Infosys Foundation in indentifying the area of CSR activities, Programs and execution of initiatives as per predefined guidelines. The committee also helps in reporting the activities which are initiated on a period.

Governance

The Company through a registered trust or a registered society can undertake CSR activities as per the provisions of the Companies Act, 2013. Accordingly, Infosys Foundation or such other entity will work closely with and support the Board and the CSR Committee in implementing CSR activities of the Company. Infosys Foundation or such other entity will assist the CSR Committee in identifying the areas of CSR activities, programs and execution of initiatives as per defined guidelines. Infosys Foundation or such other entity will also assist the Board and the CSR Committee in reporting the progress of deployed initiatives and in making appropriate disclosures (internal/external) on a periodic basis.

Funding, Selection and Monitoring Process

Infosys Foundation or such other entity will receive requests for funding of projects throughout the calendar year. Its panel of experts will evaluate proposals received under the Foundation’s focus areas and projects will be prioritized by assessing their impact. The Foundation or such other entity will then forward its recommendations to the CSR Committee. The CSR Committee will deliberate on the proposals and approve proposals for implementation at its discretion.

Infosys representatives and/or Infosys Foundation or such other entity will collaborate with stakeholders to monitor the status of each project and will report its findings to the CSR Committee periodically.

Conclusion

Clause 135 introduced by the Companies Act 2013 would go a long way in strengthening the social initiatives taken by the companies. Apart from boosting transparency and accountability, it would also open up the avenue for Corporate Social Responsibility Consulting. However, steps are required to be taken to sort out issues of penalties in the event of non disclosure, scope of Schedule VII, internal controls etc. If the law is followed in true letter and spirit, India Inc. Would succeeds in discharging its social responsibility in an effective and efficient manner.

Currently, the stance of CSR in India is headed in a positive direction as there already exist a multitude of enabling organizations and regulatory bodies such as the DPE, MCA, and IICA that have already set the wheels in motion and are playing an important role in making CSR a widespread practice and ensuring success in reducing inequalities without risking business growth. The CSR agenda in India is changing and beginning to follow global CSR trends: it is, for example, integrating CSR into core business processes, ensuring that CSR takes root in top management and assigning CSR responsibilities to corporate departments. Indian CSR is not well balanced between internal and external stakeholders. Indian companies tend to aim their CSR engagement at external stakeholders especially communities rather than internal stakeholders. However, the long tradition of CSR in India indicates and the recent changes in the Indian CSR agenda further underline that CSR in India has considerable potential for improving corporate environmental and social conduct.

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