

## An Analysis of CSR Practices in India- Pre & Post Independence

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### Abstract

The idea of charity, generosity and contribution for social welfare is not new to Indian context; rather it is in the DNA of Indian Masses. So the concept of corporate social responsibility has been assimilated in Indian society from the very beginning. In India, CSR & industrial welfare has been put to practice since late 1800s. In ancient Indian society the rich merchants used to provide relief in times of natural calamities like floods, earthquake and famine etc. They built Dharamshalas, places of religious worship, bathing ghats, wells etc. for the welfare of the society. Mahatma Gandhi articulated his philosophy of trusteeship in which he called on the business leaders to consider themselves as trustee of wealth. The evolutions of corporate social responsibility in India represent the changes in value system of India's corporate environment in the pretext of corporate social responsibility. The Industrial families of the 19<sup>th</sup> century such as Tata, Godrej, Bajaj, Birla, Singhanian were strongly inclined towards economic as well as social considerations. As Business is an integral part of society so it is obligatory on part of business organization to be socially responsible. Business exists only because it satisfies the valuable needs of society. Society gave business its charter to exist. Charter can be amended or revoked at any time if business fails to live up to society's expectations. Peter Drucker said, "A healthy business and sick society are hardly compatible." CSR is a mechanism which promotes business success with social values. It is a system whereby companies integrate social & environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. India has become the first country in the world to make CSR a mandatory for a particular class of companies from April 2014. Under Sec 135 of companies Act 2013. The proposed paper tries to analyse the growth of CSR practices in India and rules & regulations guiding CSR.

### Introduction

It's no longer enough for business houses' to simply perform their business operations without considering the world in which they operate. Social responsibility of business implies achieving business objectives in an environment of fairness, honesty and courtesy towards our clients, employees, vendors and society at large. Corporate social responsibility is a strategic decision whereby an organization undertakes an obligation to society, in the form of sponsorship, commitment to local communities, attention to environmental issues and responsible advertising, CSR denotes that business has some moral obligation to the society in addition to economic and legal obligation. It refers to what business does over and above the statutory requirement. CSR is a duty

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of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit corporate should take initiative for welfare of society and should perform its activities within the framework of environmental norms. The goal of CSR is to embrace responsibility for the company's actions and encourage as positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Now CSR moved from social practice to an effective business tool. Organizations in India have been quite sensible in taking up CSR initiative and integrating them in their business processes.

#### **CSR Defined**

##### **The world Business council for Sustainable Development (WBCSD) defined,**

"CSR the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large".

##### **International Organization for standardization (ISO) Define**

"CSR as a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people communities and society".

##### **"European commission Define CSRas"**

CSR a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

##### **Mallen Baker Defined CSR,**

"CSR is way companies manage the business processes to produce an overall impact on society".

#### **Objectives**

- To develop an understanding of concept of CSR
- To give historical view of CSR practices in India
- To provide an overview over CSR practice after independence.
- To explore the CSR practices undertaken by various Indian corporate sector
- To give overview on guiding rules of CSR in India.

#### **Research Methodology**

This paper is the research pattern of exploratory research based on the secondary data sourced from journals, magazines, articles and newspapers & published reports of corporate sector. Companies Act is studied intensively with various amendments.

#### **Need of the Study**

- With the increase in the corporate sector after Independence, where India was one country who started from scratch to big MNCs. It was very important for us to build a good social environment along with an increase in the corporate world.

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- Today the responsibility of business is not limited to its owner, rather it has assumed large dimensions. Businessmen must consider it to be their duties to fulfil their social responsibility.
- Hence due importance of CSR in the present scenario shall help to increase the credit worthiness of every company, however small or big. Smaller companies in local areas and MNCs in the larger prospective creates a better public opinion.
- CSR is based on the assumption that if business is fulfilling its responsibilities towards society then society also gives benefits to the business in the form of increased sales, increased profit and better public image.

### **CSR Practices in India**

#### **Pre and Post-Independence**

India has a one of the richest traditions of sacrifice, Charity and philanthropy. The philosophy of social responsibility is in the DNA of Indian system:

Charity and philanthropy were the main drivers of CSR. In ancient Indian Society the rich merchants used to provide relief in the time of natural calamities and they built dharamshalas, places of religious worship, bathing Ghats, wells, orphanages and old age homes etc.

**From 1850s** onwards, the approach towards CSR changed. With the pace of development in economy, the rich merchant's families opened their industrial houses and established various business in India. They began to set up trusts for the welfare of society and for the preservation and promotion of Indian culture.

The avid interest in community welfare among the Tata Group dates back to **1860s** when company was founded by Jamshed Ji Tata like this, Godreg, Bajaj, Modi, Birla, Singhanian were strongly towards economic as well as social considerations.

During the Independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society.

At that time Mahatma Gandhi introduced the idea of "trusteeship" according to which the industry leaders had to manage their wealth so as to benefit the common man.

According to Gandhi Indian companies were supposed to be the "temples of modern India".

Under his influence businesses established trusts for schools & colleges and also helped in setting up training and scientific institutions.

The founder of Birla Group 'G.D Birla' in early **1940s** textured CSR into Birla Group value system and espoused the trusteeship concept of management.

With regards to CSR, Birla Group holds the view that "Investing part of our profits beyond business for the larger good of society."

After independence, CSR had its relation to the philosophy of "mixed economy." The public Sector was

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see as the prime driver of economic development. PSUs were set up by the state to ensure suitable distribution of resources. However PSUs was effective only to a certain limited extent.

**In 1964:-** At Indian Oil, CSR has been The cornerstone of success right from inception. The corporation's objectives in this performance area in its mission statement "to help enrich the quality of life of the community and preserve ecological balance and heritage through a strange environment conscience."

**In 1965** Indian academicians, politicians and businessmen set up a national workshop as CSR. They emphasized upon transparency, social accountability and regular stockholder dialogues. In spite of such attempts the idea of CSR failed to catch the attention.

**From 1980s** Indian companies started abandoning their traditional engagement with CSR and integrated it into sustainable business strategy. **In 1990s** with the initiation towards globalization and economic liberalization were undertaken. CSR have been seen further swing away from charity, philanthropy to more direct engagement in the welfare & development of society. Nearly all leading corporate sector in India are involved in CSR programs in area like education, health, livelihood creation, skill development and empowerment of weaker sections of society. **The Co. Act 2013**, made things more clearly by introducing the clause 135, relating CSR.

#### **Application of statutory Provisions Regarding CSR in India**

After the President of India gave assent to the companies bill 2013 India became the first country in the world to mandate spend an CSR activities through statutory provisions. In view of important role of corporate sector in solving the some of the glaring problems of developing nations like India, Ministry of corporate Affairs Govt. of India has notified the sec 135 of company Act 2013

Along with companies (CSR policy) Rules 2014 here in after CSR Rules and other notifications related there to which makes it mandatory w.e.f 1<sup>st</sup> April, 2014 for certain companies

#### **For Whom It's Applicable**

Sub section (1) of sec 135 of Company Act 2013 provides the companies on whom the provisions of CSR shall be applicable.

Every company which satisfy any of the following conditions in any financial year needs to constitute a CSR committee of the board.

Net worth of Rs 500 crores or more

Turnover of Rs. 1000 crore or more

Net profit of Rs 5 crores or more

It is clarified by ministry of corporate Affairs vide General Circular No. 21/2014 that any financial year referred to above implies any of three preceding financial year.

#### **Structure of CSR Committee**

The committee would include three or more directors out of which at least one director shall be an

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independent director. Further, it is classified in the companies (CSR Policy) Rules 2014 that--an unlisted public company which is not required to appoint an independent Director under Sec 149, shall have its CSR committee without such Director.

- Private company having and 2 Directors shall constitute CSR committee with two such Directors.
- In case of Foreign Company. CSR committee shall comprise of at least 2 persons of which are person shall be resident who are authorized to receive any notice or documents on behalf of the Foreign Company. And another person shall be nominated by Foreign company.

#### **Scope of CSR Activities**

- As per Schedule VII of Company Act. 2013
- Eradicating extreme hunger and poverty.
- Promotion of education
- Promoting gender equality and empowering women.
- Reducing child mortality and improving maternal health.
- Combating HIV, AIDS and other diseases.
- Ensuring environmental sustainability.
- Rural Developmental projects
- Employment enhancing vocational skills
- Slum area development
- Social business projects
- Contribution to the Prime Minister's National relief fund.
- Any other fund set up by the Central Govt. or the state Govt. for socio economic development. Relief funds for the welfare of the scheduled castes, the scheduled Tribes and other backward classes. Minorities and women, and such other matters as may be prescribed.
- Company Act 2013 provides that the company shall give preference to the local area and areas around it where it operates.

#### **Activities not considered as CSR Activities.**

- CSR projects or programs or activities undertaken outside India.
- CSR projects or programs or activities that benefit only the employees of the company and their families.
- Contribution of any amount directly or indirectly to any political party.
- One off events such as marathons awards charitable contribution/advertisement/ Sponsorship of TV programmes etc would not be qualified as part of CSR expenditure.

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- Expenses incurred by companies for the fulfillment of any act such as labour laws, land acquisition Act etc.

### **Responsibilities of Board**

The Board of Directors of every company which meets any of the condition mentioned in Sec 135(I) shall:-

- Approve the CSR policy after taking into consideration made by CSR committee
- Disclose contents of CSR policy in its report and display the policy on company website
- Ensure that the activities included in CSR policy are undertaken by the company.
- Spend in every financial year. At least 2% of the average net profit of the company made during the three immediately preceding financial years in pursuance of its CSR policy.

### **Functions of CSR Committee**

- Formulating and Recommending to the board a corporate social responsibility policy, which shall point out the activities to be undertaken by the company as mentioned in schedule VII
- Recommending the amount of expenditure to be incurred on CSR activities.
- Monitoring the corporate social responsibility policy of the company from time to time.
- Ensuring that the activities as are included in CSR policy of the company are undertaken by the company.
- Ensuring that the company spends in every financial year, at least 2% of the average net profits of past three years.

### **Social Responsibility Activities undertaken by**

#### **Indian Corporate Sector**

1. Tatas has supported the fields in scientific research, health and community services, education, art & culture, medicine, energy research & rural development.
2. Birlas has supported the fields in Technical education, agricultural research, medicine, art & culture, scientific research, education, temples & archaeology.
3. Sighania has supported the fields in sports, primary education, higher education, technical education, social sciences, medicine & health care, city beautification.
4. Thaper Group has supported the fields in sports, Technical education & community welfare.
5. Modis has supported the fields in Medicine, scientific research, welfare of women, education, community welfare, religious & spiritual education.
6. Bajaj has supported the fields in community development, higher education, upliftment of widows/ orphans, scholarships, cultural development & literacy.
7. Shri Ram (DCM Group) has supported the fields in Education technical & scientific research, art & culture.

These all Corporate Sectors has supported the various social fields through establishing various types

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of institutes in India.

Today CSR in India has gone beyond merely Charity and donations. It is approached in more organized fashion and has become an integral part of the corporate strategy.

#### Suggestions

- The role of SME and their contribution to CSR in India has to be emphasized upon to increase their contribution to CSR initiatives.
- There must be creation of awareness about CSR programmes amongst the general public to make CSR initiatives more effective.
- Responsibility of corporate sector in respect of CSR must be fixed so that accountability can be ascertained.

#### Conclusion

Corporate Social Responsibility (CSR) is a duty of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit corporate should take initiative for welfare of society and should perform its activities within the framework of environmental norms. Now CSR has become a barometer to pinpoint the image of a company in the society. Now Society judges a company on the basis of its CSR Quotient. CSR as strategy aims at mutual development of company and community simultaneously. Collective efforts as the part of Corporate Sector & Govt. will place the India's social development on faster track.

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