



Corporate social responsibility as a social license

Purushottam N. Vaidya

KLES's J.G. College of Commerce, Hubballi, India
p.n.vaidya23@gmail.com

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Abstract

Corporate Social Responsibility is corporates sense of commitment towards social and physical environments in which it works, for sustainable development. Corporates are no more judged on their financial parameters alone. Corporates lies as a part of society; thus it becomes corporate's responsibility to look after the society. Benefits of Corporate Social Responsibility activities to a corporate firm can be difficult to quantify and it has become dominant in business reporting. Corporate Social Responsibility is gaining more and more attraction towards academics (Research) as well as in the business actions. India is the first economy across the globe to lay Corporate Social Responsibility in to law for certain companies who fulfill the criteria of the law (Sec 135 of Indian Companies Act 2013). The paper talks about linear growth of CSR concepts and background for companies to implement need-based CSR activities. The Triple Bottom Line Policies which are directly proportional to CSR activities directs corporates towards social license. The firms under study are across six Industries.

Keywords: Corporate Social Responsibility, Sustainable Development, Social Welfare Initiatives, Triple Bottom Line and Social License.

Introduction

Corporate Social Responsibility is a concept which believes that the corporates must integrate socio-environmental concerns into their business activities. It is signified by contributions undertaken by corporates to society through its business activities and social investment¹. Corporate decision making Process should not be based merely on financial factors such as profits /Dividends, considerable interest must be given for social and environmental factors and their consequences. CSR Policy claims that the decisions taken by corporates must consider principle of sustainability².

In India Corporate social responsibility has been seen traditionally as a charitable activity. And in keeping with the Indian convention, such activities were performed but not deliberated, which resulted in incomplete records on such activities³.

New Companies Act, 2013 – CSR Provisions: India's new Companies Act 2013 has come up with a number of new provisions which changed the appearance of Indian Corporate Business. CSR is one of such new provisions included in the Companies Act 2013. CSR with the ideology of Give and Take, It will be curious to observe the ways in which this will translate into action at the ground level, and how the accepting of CSR is set to undergo a change⁴.

Section 135 of the Companies Act 2013 gives the threshold limit for enforcement of the CSR to a corporate: i. net worth of the company to be Rs. 500 crore or more; ii. turnover of the

company to be Rs. 1000 crore or more; iii. 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 corporate, but also applicable to branch and project offices of a foreign company in India.

Objectives: i. To understand the CSR approach in India. ii. To understand CSR Provisions as per "Schedule VII of The Companies Act, 2013." iii. To compare key CSR practices being practiced by 250 BSE Listed companies as per thematic priorities. iv. To Compare Actual CSR Spending and Prescribed in the first two financial years after enactment of The Companies Act, 2013.

Review of literature: Omweno Nyameyio Enoch and Kundan Basavaraji study is related with corporate social responsibility activities of two companies (Tata and ITC companies). The study focuses on different areas of CSR activities and highlights on the reporting methods used by these companies. It is observed that health care, community involvement; education and environment activities are practiced as Corporate Social Responsibilities by both corporates⁵.

Bhupender and Vikas Kumar Joshiya found that over recent past years CSR is gaining its own importance in terms of Economic, Social and Academic interest. Corporates these days are much more cautious in accounting and display public reporting due to greater expectation of the various stakeholders associated with them⁶.

The study also talks about Corporate Social Responsibility status, Challenges faced in concern with CSR and polices for CSR in India.

Methodology

Sample size: For the purpose of study 250 BSE Listed Companies were selected with the criteria that the prescribed CSR Spend greater than INR 1 Crores and accessibility of the necessary data.

Sources of data: Published Annual Reports, Sustainability Reports, CSR Reports, official websites and reports of surveys by private institutions.

Period of study: This study examines the CSR Spending in India in the first two financial years after the enactment of the Companies Act - 2013. i.e., Financial Year 2014-15 and 2015-16.

Results and discussion

The Data collected is arranged and analysed in a systematic and understandable manner as follows with the help of Tabulation.

Table-1 reported that 48% of the selected companies have spent either exactly as 2% or more than that of 2% CSR during financial year 2014-15.

A good improvement is observed in financial year 2015-16 where this percentage is above 58%.

Table-1: Actual to prescribe CSR spend for financial years 2014-15 and 2015-16.

| Actual CSR Spent Range | Number of Companies | |
|------------------------|---------------------|---------|
| | 2014-15 | 2015-16 |
| More than 2 % | 66 | 94 |
| Exactly as 2% | 45 | 51 |
| (66% to 99%) of 2% | 52 | 47 |
| (33% to 66 %) of 2% | 42 | 39 |
| Less than 33% of 2% | 45 | 19 |
| Total | 250 | 250 |

Table-2 indicated that BSE 250 companies observed Significant Progress in CSR Spending (Actual) to Prescribed CSR in Financial Year 2015-16. While it was 79% in Financial Year 2014-15, it has amplified to 92% in the previous financial year. Similarly, All Six Sectors observed front step in CSR Spending (Actual) to CSR (prescribed) in Financial Year 2015-16 from Financial Year 2014-15.

Table-2: Sector wise prescribed CSR and actual CSR spend for FY 2014-15 and FY 2015-16.

| Financial Year | CSR | Auto Sector | Banking and Finance | Computers Hardware and Software | Pharmaceuticals | Oil drilling and exploration, refineries and petrochemicals | Steel | BSE 250 Companies |
|----------------|-------------------------------|-------------|---------------------|---------------------------------|-----------------|---|--------|-------------------|
| | No. of Companies | 8 | 36 | 15 | 24 | 11 | 8 | 250 |
| FY 2014-15 | Prescribed CSR Spending | 292 | 1161 | 763 | 236 | 1743 | 351 | 7040 |
| | Actual CSR Spending | 184 | 702 | 690 | 150 | 1590 | 311 | 5567 |
| | % of Actual CSR to Prescribed | 63% | 60% | 90% | 64% | 91% | 89% | 79% |
| FY 2015-16 | Prescribed CSR Spending | 249 | 1363.05 | 894.05 | 281.61 | 1508.05 | 294.42 | 7144 |
| | Actual CSR Spending | 249 | 1177.45 | 774.12 | 208.17 | 1367.8 | 378.33 | 6579 |
| | % of Actual CSR to Prescribed | 100% | 86% | 87% | 74% | 91% | 129% | 92% |

Table-3: Top 10 companies with actual CSR spend for financial years 2014-15 and 2015-16.

| Actual CSR spending 2014-15 | | | Actual CSR spending 2015-16 | | |
|-----------------------------|-------------------------------|--------|-----------------------------|-------------------------------|--------|
| Rank | Name of the Company | Amount | Rank | Name of the Company | Amount |
| 1 | Reliance Industries Ltd | 760.58 | 1 | Reliance Industries Ltd | 651.57 |
| 2 | Oil & Natural Gas Corp Ltd | 495.23 | 2 | NTPC Ltd | 491.8 |
| 3 | Infosys Ltd | 239.54 | 3 | Oil & Natural Gas Corp Ltd | 421 |
| 4 | Tata Consultancy Services Ltd | 219 | 4 | Tata Consultancy Services Ltd | 294 |
| 5 | ITC Ltd | 214.06 | 5 | ITC Ltd | 247.5 |
| 6 | NTPC Ltd | 205.18 | 6 | Tata Steel Ltd | 213.24 |
| 7 | National Mineral Dev. Corp. | 188.65 | 7 | NMDC | 210.09 |
| 8 | Tata Steel Ltd | 171.46 | 8 | Infosys Ltd | 202.3 |
| 9 | ICICI Bank Ltd | 156 | 9 | Power Finance Corp Ltd | 196.2 |
| 10 | Wipro Ltd | 132.7 | 10 | ICICI Bank Ltd | 172 |

Interpretation: Top 10 Companies together spent INR 2782.4 Crores and INR 3099.7 in FY 2014-15 and FY 2015-16 respectively.

Table-4: Theme wise corporate social responsibility activities. (No. of Companies)

| Thematic priorities | 2014-15 | 2015-16 |
|--|---------|---------|
| Benefits to Armed Forces veterans, war windows | 10 | 12 |
| Education and Skills | 225 | 229 |
| Environment Sustainability | 144 | 140 |
| PM Relief Fund and Others | 56 | 36 |
| Poverty Alleviation, Healthcare and Wash | 215 | 219 |
| National Heritage, Art and Culture protection | 52 | 54 |
| RDP's | 97 | 108 |
| Olympic and Rural Sports | 48 | 56 |
| Technology Incubation within academic institutions | 14 | 11 |
| Urban Slum Development | 16 | 5 |
| Inclusive Development and Women Empowerment. | 111 | 89 |

Interpretation: Education, Poverty Relief, Healthcare, Environment Sustainability and Women Empowerment themes were attractive for companies instigating CSR projects. Promoting Rural Sports is the new extent which is gradually becoming widespread in CSR projects. Benefits to Armed Forces veterans, war windows and Urban Slum Development need to be given attention.

Key findings: i. Good Improvement regarding companies CSR Spending either exactly as the 2% or more than the 2% from 2014-15 to 2015-16. ii. Significant Improvement in CSR (Actual) Spending to CSR (prescribed) in Financial Year 2015-16. iii. Auto & Auto Ancillaries and Steel Sectors are outperforming with more than 100% in CSR Spending (actual) to CSR (Prescribed) in Financial Year (2015-16). iv. Pharmaceuticals Sector is lagging in Actual CSR Spending to Prescribed CSR in Financial Year 2014-15 and 2015-16. v. Top 10 Companies spent almost 50% of total CSR(actual) Spending in Financial Year 2014-15 and 2015-16. vi. Education, Poverty Relief, Healthcare, Environment Sustainability and Women Empowerment themes were attractive for companies implementing CSR projects.

Conclusion

CSR Spending does not just involve spending to be recognized in the society but involves thoughtful and fruitful investment. Corporates to obtain Social License (never self-awarded) should follow good CSR practices. Social License requires an activity that enjoys satisfactory trust and legitimacy, and has the consent of those affected which is enabled by good constructive CSR

policies of corporates⁷. The activities which respect the rights of all those in any community confirms the social licenses for corporates.

The Level of CSR Giving in India will surely increase with the policies and provisions of “The Companies Act 2013.”, New CSR Provisions will act as Game Changer for CSR in India⁸. Companies have taken CSR reporting more serious as it is observed that quality and accessibility of CSR activities has improved a lot from last year.

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