

CHAPTER NO-4

CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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 has had a long tradition of corporate philanthropy, the spirit of active goodwill toward others as demonstrated in efforts to promote their welfare. The term is often used interchangeably with charity 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 caring deeds, when in fact they are simply trying to buy community good will. The last decade of the twentieth century witnessed a swing away from charity and had a direct engagement of business for the development of disadvantaged groups in the society. Currently there is an increased focus and a

changing policy environment to enable sustainable practices and increased participation in the socially inclusive practices.

4.1 VEHICLES FOR INTRODUCING CSR IN INDIA

The concept of CSR is not new in the country but it is not mandatory for the companies. In 2008, a joint project between the Indian Institute of Corporate Affairs and the German technical agency and bilateral donor GIZ lead to the development of “an Indian concept” for CSR guidelines and reporting. The “National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business” were a result of these discussions.

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

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.

When Securities and Exchange Board of India (SEBI) ordered the 100 largest companies listed on the BSE and NSE to disclose their CSR activities along with the percentage of after-tax profits devoted to CSR, these guidelines changed into rules. Passing of the Companies Bill by the Lok Sabha in 2012 gave CSR rules, with a view to provide frame work for companies (both public and private) to their CSR activities. The Government of India has included CSR related provisions in the Companies Bill 2012 aiming to motivate companies to spend 2% of the profit after tax (PAT) on CSR.

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the consent of the President of India on 29 August 2013. Clause 135 of the Act lays down the guidelines to be followed by companies while developing their CSR programme. The CSR committee will be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various

stakeholders and a monitoring mechanism for such activities. The CSR committee can also ensure that all the kinds of income accrued to the company by way of CSR activities should be credited back to the community there is a long list of permissible areas for CSR funding. They include such purposes as ending hunger and poverty; promoting public health; supporting education; addressing gender inequality; protecting the environment; and funding cultural initiatives and the arts. All CSR funds must be spent in India. The New Act encourages companies to spend their CSR funds in the areas where they operate, but money cannot be spent on activities undertaken that are part of the normal course of the company's business or on projects for the exclusive benefit of employees or their family members. Contributions of any amount to a political party are not a permitted CSR activity. However, the New Act has an exception allowing companies to use their CSR funds to support development projects initiated by the prime minister or central government. Act requires companies to prepare a complete report, in a particular format, about the company's CSR policy, the composition of the CSR committee, the amount CSR expenditures, and the specifics of individual CSR projects. A company's board must include this report in its annual report to shareholders and publish it on the company's website. The report include a declaration from the CSR committee that the implementation and monitoring of the board's CSR activities is, in letter and strength, in fulfillment with its CSR objectives and CSR Policy of the company. If the minimum CSR amount is not spent, the board is required to disclose this fact, with reasons therefore, in its annual Director's Report to the shareholders. It is still not clear whether failure to comply is an legal offense of any sort. Thus, the new Act may be the advent of a new regime in Indian corporation law of the concept of "comply or explain." What is clear, however, is that failure to explain non-compliance is a punishable offence under the New Act. It is therefore likely that any company that

fails to comply with its CSR obligations will be subject to investigation by the Indian authorities.

The clause 135 will be applicable to all companies that have either of the following-:

- Net worth of INR 500 crore or more
- Turnover of INR 1000 crore or more
- Net profit of INR 5 crore or more

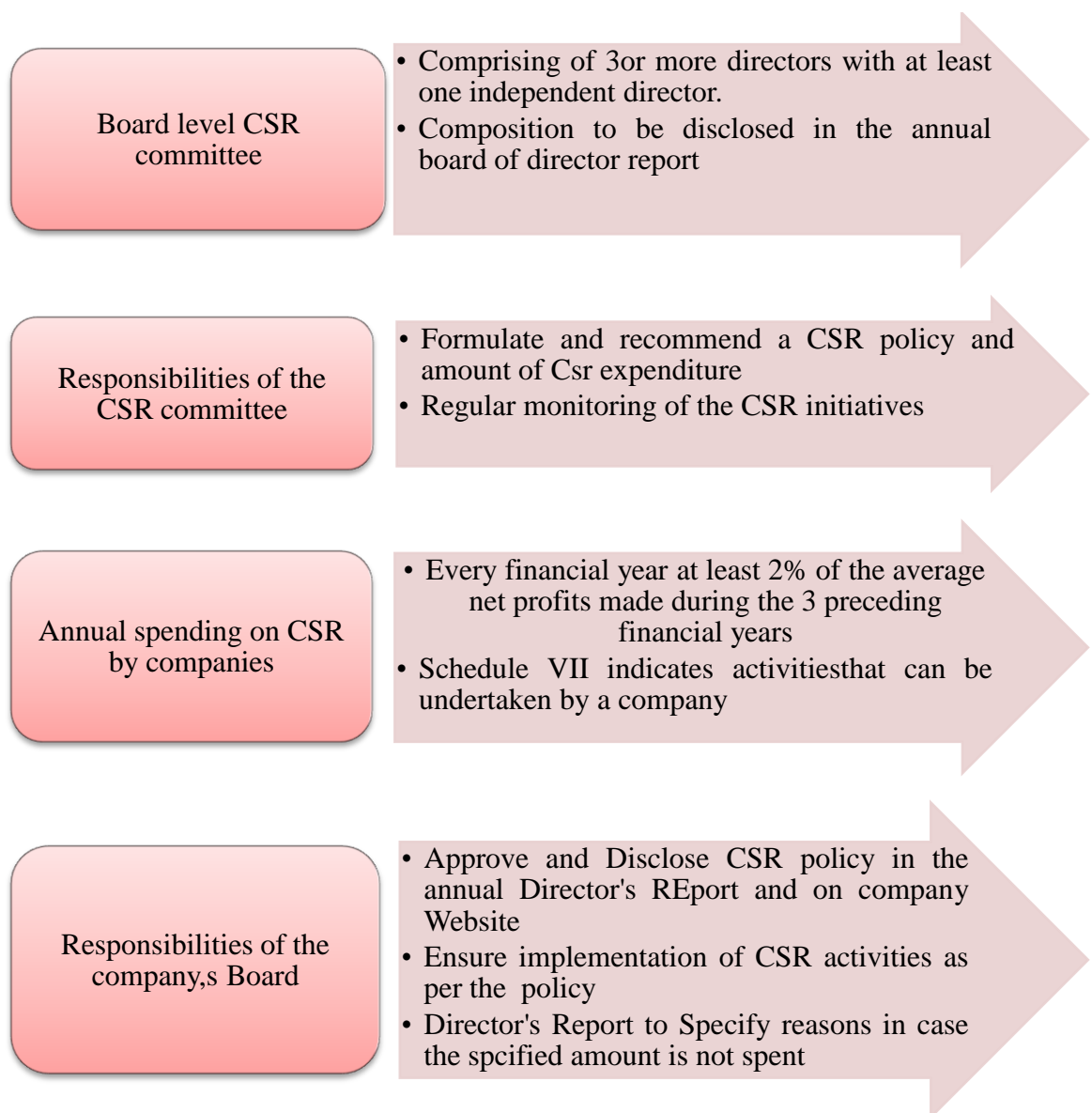
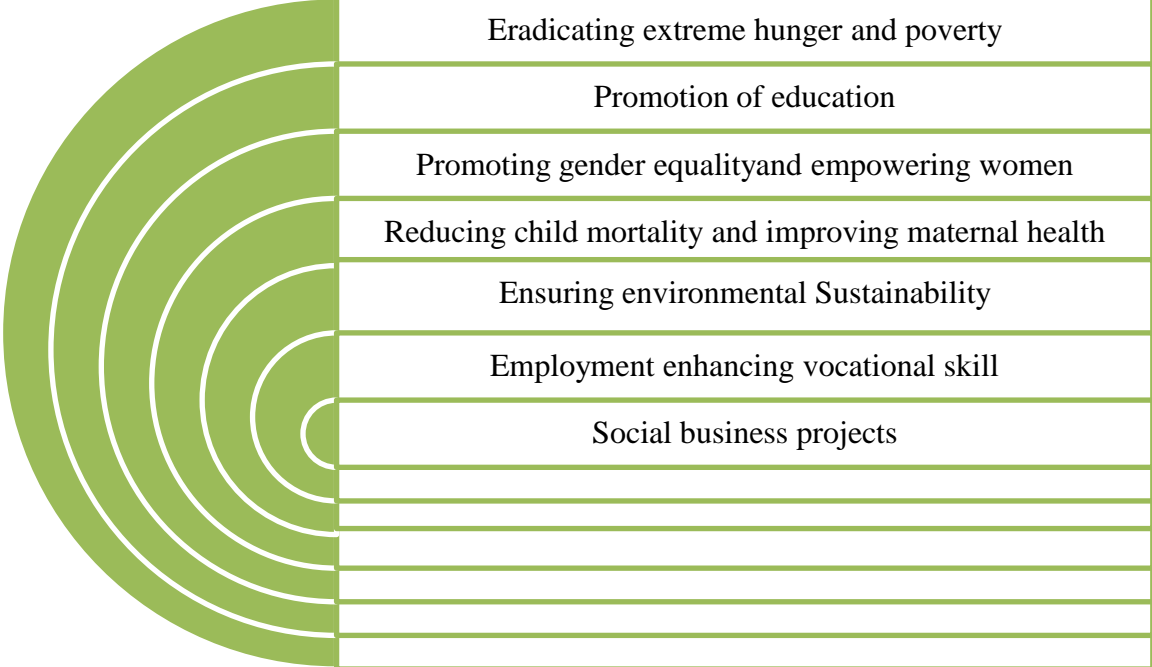


Figure no-:4.1 -Role of board of directors and CSR committee

The pinpointing Activities which can be undertaken by a company under CSR have been specified under schedule (VII) of the Act are as follows:-



Eradicating extreme hunger and poverty
Promotion of education
Promoting gender equality and empowering women
Reducing child mortality and improving maternal health
Ensuring environmental Sustainability
Employment enhancing vocational skill
Social business projects

Figure no-:4.2 List of activities under schedule VII

4.2 CSR AND SME's (Small and medium enterprises)

Small and medium enterprises (SME's) significantly contribute towards India's economic growth. These serve independently and also as ancillary to larger units and help generate employment and industrialise the rural and backward regions of India. They employ nearly 40% of India's workforce and contribute around 45% to India's manufacturing output the business activities of SME's are performed in proximity to the locals. This enables them to be aware of community needs, manage expectations and develop CSR programmes appropriately.

Now that the CSR clause in the Companies Act, 2013 covers companies that have a net profit of five crore INR and above, it is expected that while micro-enterprises will not qualify, many small and medium enterprises (SME's) .The CSR activities of these enterprises are driven by the personal interests of promoters who hold a significant financial stake in the business. They tend to be in clusters and engaged in similar business activities. While the quantum of revenue available for CSR with individual SME's is expected to be small, all eligible companies in a specific geographical cluster, who single handed as well as collectively impact the same community, can pool their resources to create a sizeable CSR fund.

4.2.1 BENEFITS TO SME'S BY COLLABORATION FOR CSR INITIATIVES

CSR is for all companies. SME's in India have participated in CSR activities but these efforts have not been optimally delivered. One possible reason can be the fact that CSR activities depend on the profits of an SME and any fluctuations in profits can adversely affect their capability to continue their contribution for CSR. Another reason can be the limited human resources available to SME's which may also result in the lack of a professional approach.

SME's tend to focus on short-term activities that involve lesser operational costs. A survey conducted by UNIDO in 2008 on five SME clusters in India, found that 31% to 79% of the SME's in these clusters, preferred charity donations rather than long-term programmes for local communities.

With the introduction of the new Companies Act, 2013, the SME's approach to CSR has to be modified while keeping operational costs low. One viable alternative is to pool resources with other SME's in the cluster and create joint CSR programmes managed by a single entity. This collaboration can be formed within the units in a cluster as they interact with the same communities and have already established associations that cater to the business needs of the units.

Collaboration has the following advantages:

- Reduces operational cost
- Undertake long-term projects
- Learning from experiences

4.3 MANUFACTURING UNITS IN LUCKNOW

Lucknow is the capital of the state of Uttar Pradesh and a second largest city after Kanpur in Uttar Pradesh .This metro city is the administrative headquarters of Lucknow Districts and Lucknow Division.

Manufacturing is the production merchandise for use or sale using labour and machines and tools, chemical and biological processing, or formulation. The term may refer to a range of human activity, from handicraft to high tech but is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale. Such finished goods may be used for manufacturing other, more complex products, such as aircraft household appliances or automobiles etc..

Large Scale, and Medium Scale companies in Lucknow

- Eveready Industries India Ltd.
- Tata Motors Ltd.
- HAL Ltd.
- Scooter Ltd.
- P.N international Ltd.
- Organic India Ltd.
- Varuna spinning mill pvt Ltd.
- PTC Industries Ltd.
- U.P asbestos Ltd (UPAL).
- Omax Auto Ltd.
- Maya Biotech pvt Ltd.
- Tata chemicals Ltd.
- Singhal paints pvt Ltd.
- Pioneer Paints Industries.
- Parag food pvt Ltd.
- Technical Associates pvt Ltd.
- Paras Biotech pvt Ltd.

4.4 CSR PRACTICES FOLLOWED BY INDIAN COMPANIES IN CURRENT SCENARIO DEFINED WITH SOME EXAMPLES

In this chapter, I have made an effort to provide an analysis of the current trends of CSR practices in India, particularly how companies are managing CSR, practices and their focus areas. In India companies like TATA and Birla are practicing

the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis.

4.4.1 TATA MOTORS

Tata Motors has always been a company that cares about the future. Tata motors India largest automobile company which was founded in 1868 by Jamshedji Nusserwanji Tata & J Baker. The company has spread its manufacturing facilities across India by setting up plants in Pune (1961), Lucknow (1992), Rudrapur (2007) etc.

CSR as an operation at Tata Motors

- ❖ CSR Philosophy of Tata Motors is: minimize business risk and improve the quality of life. It rests on the purpose of making communities self-dependent by initiating and nurturing projects that are sustainable.
- ❖ It is guided by the Tata code of conduct in all its activities and works together with the Tata council for community Initiatives (TCCI) for its CSR Practices.
- ❖ The company focus area in CSR includes health, education, environment protection and employability.
- ❖ The CSR Department is a part of Human Resources Department to look after CSR at Plant.

The Corporate Social Responsibility activities are designed on the basis of the needs of the region where a manufacturing unit is located. The volunteers support Corporate Social activities at all locations in conceptualizing, organizing and implementing several Corporate Social activities. These activities touch the lives of

more than a million citizens. The CSR committee reviews monitor and guides the company's CSR initiatives across all locations. It comprises senior executives, including the managing director, Executive Director for finance and corporate affairs, Executive Director etc.

In Lucknow, two Societies - Samaj Vikas Kendra & Jan Parivar Kalyan Santhan have been formed for rural development & for providing healthcare to the rural areas. These societies have made great efforts for health, education and women empowerment in rural areas.

INITIATIVES OF TATA MOTORS IN REFORMING THE SOCIETY

- ❖ **Training Programmes for Drivers:** For the safety of passengers .Tata Motors run number of driver training programmes across the nation Main aim of these programmes to raise in amount of employment & enhance the skill of drivers.
- ❖ **Mass Transportation:** Mass Transportation always supported by Tata motors by different modes such as buses and trains, leading to considerably lower pollution levels and decongestion of Indian roads as compared to private modes of transportation. They always support mass transportation programmes such as Bus Rapid Transit Systems and have worked on development of specific products that perfectly suit these applications.
- ❖ **Safety:** For passengers, Tata Motors buses are equipped with numerous safety features for secure journey. Especially, the School Buses from Tata Motors have a number of safety features like tooth guards, padded windows, and many more

to ensure extra safety for the children. Many safety features in these buses are in addition to the ones mandated by the Government.

- ❖ **Community Development:** Tata Motors takes initiatives to contribute to the society in other areas like health and education. They organize health camps, dental check-up and eye-check up etc for them. Tata Motors goes a step further by reaching out to these drivers' families by educating their children. Tata Motors also organizes camps where games, quiz and drawing competitions are organized for the drivers' children.
- ❖ **Motivational Schemes:** Tata Motors motivate their employees to enhance their skills and develop multi-skill manpower through our Skill Versatility, Cross Versatility and performance Benefit Scheme, which has been follow from the past 30 years and employees who have acquired additional skills they are monetary benefited by Tata motors.

Tata motors also follow number of other motivational schemes like -:

- Best self directed team award.
 - Employee of month /Year award.
 - Quality stewards” Gunawatta rakshak award”.
- ❖ **Employee empowerment:** At various level employee’s strength &confidence is ensured through functioning in self-directed teams ¢er of excellence.
 - ❖ **HIV/AIDS Awareness: For Employees & Society**
 - TML organizes lectures and distributes information booklets to their employees on the shop floor, along with in-house screening of AIDS awareness films.
 - No discrimination between HIV/AIDS positive employees and other employees right from the starting till end of their job tenure

- Companies provide medical benefit scheme for employees suffering from HIV/AIDS.
 - High-school lectures on AIDS awareness for school students.
 - Employee's volunteers organize "AIDS awareness rallies" every year on world's AIDS Day.
- ❖ Village Health workers(VHW's)(Foot doctors trained by the company) are made aware about the universal precaution to take during dressing &conducting of delivery .They provide hand gloves, disinfectants & autoclaved dressing & delivery material.
 - ❖ Integrated rural development program (IRDP) The Company has adopted several villages around its manufacturing units all over India Integrated Rural Development focus at meeting basic needs in five broad areas - Health, Education, Water, Environment and Livelihoods.
 - ❖ Enhancing employability-: Enhancing the employability of the youth & women in the region through training & skill development.
 - ❖ Pollution control-: Tata motors introduce vehicles with euro norms. To make environment friendly engines it has taken the help of world renowned engine consultants like Ricardo & AVL.
 - ❖ Restoring ecological balance-: Tata motors have planted 80,000 trees in the works & township. Half million trees have been planted in Lucknow region
 - ❖ Employment opportunities for empowering women-:
 - A women's co-operative, of 25 members was formed to provide catering facilities to Tata Motors, SP&C and other government agencies.
 - Another group of 50 women is currently undergoing sewing training
 - ❖ Technical and Vocational Training for Youth Members-:

- 179 youth members having the minimum qualification of SSC passed were given four months intensive training in technical skills like electrician, fitter, turner and welder at Ram Krishna Shilpa Mandir.
 - A total of 346 youth members from the nearby communities are being imparted technical skills in welding, fitting, electrical work, motor mechanics and sheet metal work at various training institutes.
 - 224 youth members from community are being trained in computers from NIIT.
- ❖ Other initiatives
- Village level group meeting in the villages that fall in the project area(approx-100 villages)
 - Special programme for girl child known as-“I want to bloom” till date approx-5000 girls have been covered under this programme.
 - Tata motors have introduced many scholarship programs for the higher education of the children. Through a scholarship program Vidyadhanam, the company supports 211 students. Out of these students 132 students are from the marginalized sections of the society. These students get books, copies and other study materials. They also undergo different kinds of workshops, creative & outdoor sessions and residential camps as well.

4.4.2 JK LAKSHMI CEMENT

JK Lakshmi Cement Limited is highly committed about its responsibility towards the society and the environment. Various schemes and programs for social

welfare have been initiated by the management at JK Lakshmi and they have received Positive response.

➤ **Livehood**

- Sahyogi Sanrakshan club is an institution covers 34000 members. The members of the group insured against accidental death and permanent disability under the group personal accident insurance policy, premium paid by JK Lakshmi cement

➤ **Health**

- Nayasavera was launched in July 2004 with objective of providing health related and family planning advice to villagers
- In 2005-06 Naya severa team conducted 728 mobile clinic visits and 2168 household visits.

➤ **Education**

- Various training programs and camps are arranged to access latest techniques with regard to construction industry.

➤ **Environment**

- Extensive plantation of trees, keeping the emission within strict norms, treatment of the effluents& conservation of water.

4.4.3 INDIAN OIL CORPORATION

Corporate Social Responsibility plays a greater societal role for accomplishing the cherished goal of a truly developed India, where all sections of citizens live with dignity. Indian Oil is committed to synergizing its present business practices and vision for the future with sustainable development. Indian Oil commits to incur expenditure upto 2% of the Retained Profit of the previous year towards corporate social responsibility every year.

➤ Health-

- Indian oil Sanchal Swasthya Seva (mobile medical units(MMU)) was launched in January 2012.MMU linked to rural petrol pumps called Kisan seva Kendras(KSK).
- In pilot project, 52 MMUs have been launched in Andhra Pradesh and Uttar Pradesh covering 681 village in 13 districts.
- MMUs used for conducting health awareness camps on family planning, health and hygiene, HIV/AIDS, etc.
- Swarna jyanti Samudaik Hospital, Mathura (village Raunchi Bangar, Mathura, Uttar Pradesh) was established in1999.The hospital operates 2 mobile dispensaries to provide medical care in the nearby villages of Mathura refinery.

➤ Education

- Indian oil Education scholarship Scheme was started in 1985 with 50 Scholarship, has expanded to2600 Scholarship. 50% scholarships are

reserved for SC/ST/OBC students, 25% for girl students and 10% for Persons with Disabilities (PWD) in each category/sub-category.

➤ **Environment**

- Clean drinking water project in two villages near Mathura Refinery for providing drinking water at the doorsteps of villagers.

4.4.4 NTPC

NTPC, India's largest power company, was set up in 1975 to accelerate power development in India. Main CSR activities of NTPC are environment, community, physically challenged persons. Company is working in the areas of basic infrastructure development like sanitation, road, drinking water, primary education, community health, vocational training etc.

➤ **Livehood**

- Stationery items like files, envelopes are mainly being done from NGOs/agencies like ADI, MUSKAN, Blind relief Association who are working for physically challenged thereby creating indirect employment.
- Shops have been allotted in NTPC Township to physically challenged persons so that they may earn their livelihood. Similarly, PCOs within/outside plant premises are also allotted to physically challenged persons.

➤ **Education**

- Construction of a school for girls in Village Shaulana, Distt. Ghaziabad, Uttar Pradesh was completed in July 2009.
- Vocational training programs such as computer training, vehicle and mobile repairing for youths and coaching classes for children in villages was provided at various locations.
- "Sign language" training for the employees in general.

➤ **Environment**

- Preservation of the environment by providing state-of-the art pollution control systems, regular environment monitoring and judicious use of natural resources, adoption of advanced and high efficiency technologies. Such as super critical boilers, High efficiency Electro-static Precipitators (ESPs) , Flue Gas Conditioning (FGC) system etc.
- To treat the waste water and reduce consumption of fresh water requirements for the plants, Company has installed Liquid Waste Treatment Systems, Ash Water Recirculation System and closed cycle condenser cooling water systems with higher Cycle of Concentration (COC) in its stations.

➤ **Health**

- Disability Rehabilitation Centre established at Tanda (U.P.) providing rehabilitation/ restorative surgery to physically challenged persons.
- In the area of health, Direct Observation Treatment cum Designated Microscopy Centre (DOT cum DMC) with Mobile Vans, diagnostic

equipments and paramedical services for diagnosis and treatment of the Tuberculosis patients in the neighbourhood villages of the station. Till date more than 5700 patients have been examined by these centers and treatment has been provided as per requirement.

- Medical camps have been organized in various projects of NTPC for treatment and distribution of aids like artificial limbs, tricycles, wheelchairs, calipers etc.

4.4.5 AMBUJA CEMENT

Ambuja cement foundation is the social development arm of Ambuja Cements Ltd established in 1993. They working exclusively with rural communities on issues related to water conservation and management, sustainable agriculture, health and sanitation, support for school education, awareness on prevention on HIV and AIDS, promotion of SHG's for socio-economic development of women and capacity building of local youth and farmers.

➤ Education

- 390 education centers across states enhancing the quality of education through interventions like furnishing and functionalizing libraries; establishing reading clubs; equipping schools with hands-on math kits; and starting math laboratories.
- Non formal schools also called Basti schools, run by Ambuja cement foundation at various locations.

- Ambuja Manovikas Kendra (AMK), caters to the needs of special children and draws out their potential in more than one way.
- Skits and role plays educate villagers about social evils like dowry and discrimination, sexual and psychological harassment on special occasions like International Women's Day.

➤ **Environment**

- Plantation has been done by organization.

➤ **Health**

- Preventive and Primitive Health Intervention (Maternal And Child Health, Nutrition Education, Comprehensive Sanitation, Safe Drinking Water).
- Sustainable Health Action And Access To Quality Health Care (Convergence with the Public health system, Strengthening Village Health and Sanitation Committee (VHSC),Capacity building of Panchayat, Gram Sabha Community based monitoring of health services)
- Clinical Care (Mobile health dispensary, Health camp, Diagnostic centre, Basic clinical care through Sakhi, Referral service.

➤ **Infrastructure**

- ACF supports building of infrastructure for villages like roads, street lights, school building among others in consultation with the communities.

- For farming community construction of khadins, farming bunds, storage structures like water tanks to ensure safe drinking water.

4.4.6 DABUR

Dabur, believe that an organization's goodwill best reflected by the service it renders to the community and the Society. CSR as conducting business in ways that provides social, environmental & economic benefits for the communities. Dabur CSR initiatives are driven by Sustainable Development Society or **SUNDESH**, which aims to reach out to the weaker and more vulnerable sections of their society. Today, SUNDESH operates in Ghaziabad & Gautam Budh Nagar districts of Uttar Pradesh Over the years, it has contributed to many worthy causes, addressing children's literacy, improving healthcare services, skill development, and environment

➤ **Livehood**

- Capability enhancement programmes for income generation have been introduced offering vocational training in cutting & tailoring, machine & hand embroidery, bee keeping, mushroom farming, mehendi application.

➤ **Education**

- Non-formal education [6-14 years non-school going], special school for working children [8-13 years], remedial education [6-14 years school-going], besides holding classes for women between the age of 18 and 45 years.

➤ **Health**

- SUNDESH provides health services across villages
- PD & Diagnostic Facilities: Till date, 61,628 patients have benefitted.
- Mother and Child Healthcare: This initiative is aimed at reducing infant and maternal mortality rates, besides improving the quality of life of the villagers. SUNDESH is focused on promoting and motivating expecting mothers for institutional deliveries.
- Eye Care Camps: SUNDESH takes care of the elderly by holding eye care camps at its Health Post and in villages. Cataract cases are even operated free of cost.
- Prevention of female foeticide: SUNDESH has organized workshops in Ghaziabad on prevention of female foeticide.

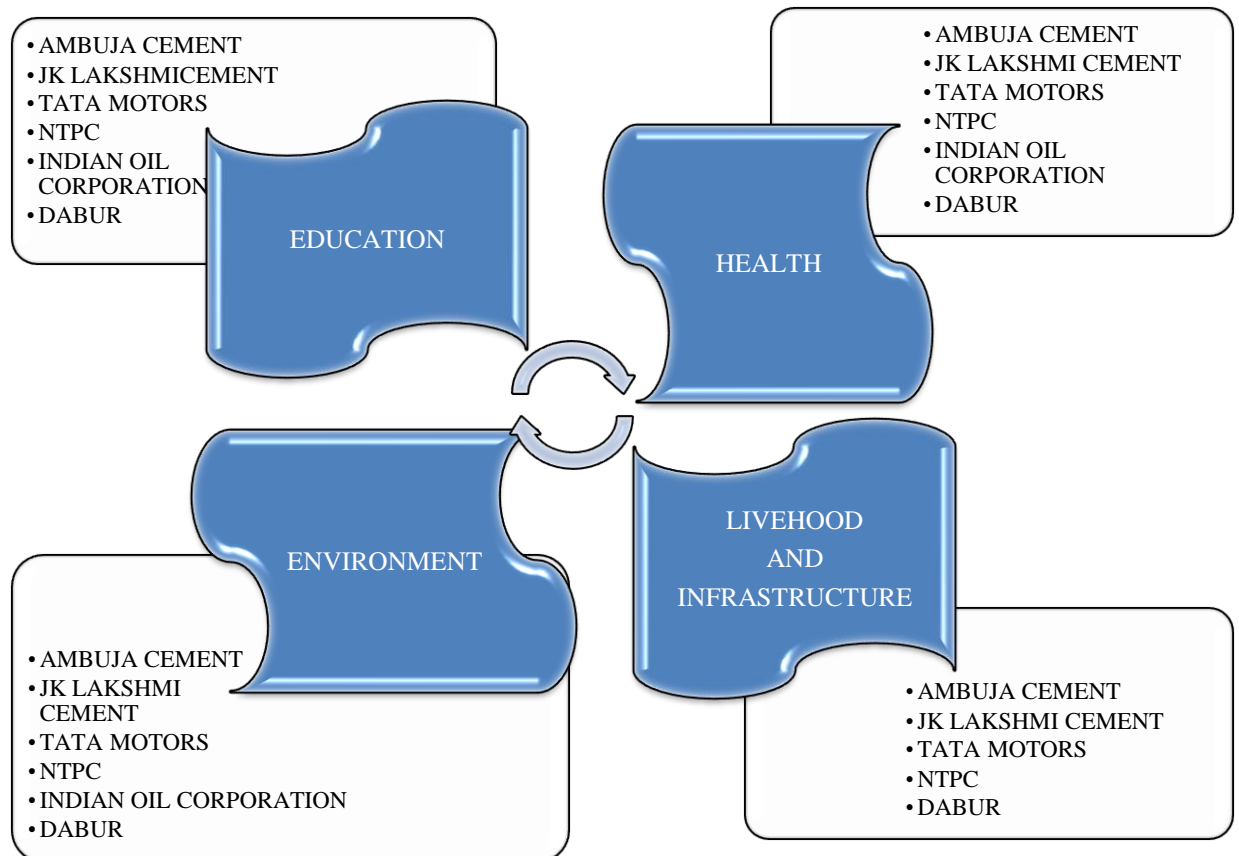


Figure no-4. 3-Companies follow CSR practices in India

4.5 IMPORTANT SURVEYS IN INDIA

From 2000 onwards, 4 important surveys have been conducted, which give significant macro level conclusions about Indian corporate. The first and second surveys were carried out in 2001 and 2002 by Business Community Foundation for TERI-Europe. The survey sought to explore the perception of workers, company executives and general public about social, economic and environmental responsibilities. It was found that all companies irrespective of size or sector have awareness of CSR and its potential benefits. Many companies were collaborating with NGOs, have labor and environmental policy guidelines in place. A third survey was jointly conducted in 2002 by CII, United Nations Development Program (UNDP), British Council (BC) and Price Water Coopers (PWC). The most striking features of the responses to the survey is that the respondents are in near unanimity that CSR is very much a part of the domain of corporate action and the passive philanthropy is no longer sufficient. A significant proportion of respondents, recognize CSR as the mean to enhance long-term stakeholder value. The fourth survey, the Karmyog CSR rating 2007-08 is for the largest 500 companies. Karmayogis a platform for the Indian non-profit sector providing research on CSR activities of Indian companies. It rated the 500 largest Indian Companies based on their CSR activities. The companies were rated on 0 to 5 levels based on criteria's like products & services, reach of CSR activities, expenditure on CSR, harmful processes etc. It was observed that 46% companies got zero rating (no reporting), around 8% sometimes reporting Around 46% companies out of 500 largest Indian companies were reporting on CSR. (Karmayog rating) Most of the companies report on donations, renovating schools in villages, mid day meals etc.

It was recognized that companies have, in their own ways, been contributing to the foundation of CSR in India. They have, with their desired methods of involvement, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on. CSR is giving back to society. Today, more and more companies are realizing that in order to stay productive, competitive, and relevant in a rapidly changing business world, they have to become socially responsible. In the last decade, globalization has blurred national borders, and technology has accelerated time and masked distance. After introducing Clause 135 by the Companies Act 2013 would go a long way in expansion of the social initiatives taken by the companies. Small involvement of corporate could lead to the Socio economic development. Apart from boosting transparency and accountability, it would also open up the opportunity for Corporate Social Responsibility in true Way. After visualizing development of Society on the name of CSR, it is basically not criticized rather it is appreciated. Now a day's small and medium enterprises also show their contribution towards India's Economic growth by generating employment and industrialise the rural and backward regions of India. But there are numbers of steps are necessary to be taken to sort out issues of penalties in the event of non disclosure, scope of Schedule VII, internal controls etc. If act gets followed in true way, India can succeed in its social responsibility in an efficient manner it and will give new face to the Society.