

Corporate Social Responsibility as a Business Strategy (With Special Reference to India)

Santosh Kumar*

Guest Faculty Department of MBA, Sido Kanhu Murmu University, Dumka

Abstract – Corporate Social Responsibility has become imperative to any company's strategic making decisions. Corporate have realized that government of any state or any countries will neither be able to get success in its endeavor to uplift the society nor alone can solve their key issues and environmental issues as well. With rapidly changing corporate environment many organization have setup separate CSR wings.

This article has three aims. The First Aim is to deliver a message, not only to big corporate or business house but also to small and medium organization even to capable citizens also.

With the new companies Act 2013 in India (w.e.f. April 1st 2014), there is a legislative provision for making CSR mandatory for those companies having net worth of Rs. 500 Cr. or more or a turnover of Rs. 1000 Cr. or more or a net profit of Rs. 5 Cr. or more have to spend at least 2% of last three years average net profit on CSR activities as specified in schedule VII of this Act. India became the first country in the world to take this pioneer move.

After enactment of this law, my Second Aim is to focus on how today CSR initiative is being used as tools of strategy by mainstream companies in order to achieve sustainable growth.

And my Third Aim is to throw light on how some companies misuse these statutory CSR norms inappropriately.

Keywords – CSR, New Companies Act.2013, Sustainable Growth.

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INTRODUCTION

A widely accepted definition of CSR in the business and social context has been given by 'World Business Council for Sustainable Development' is:

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

In a very simple way "CSR is the responsibility of business towards the society.

After the statutory (mandatory) obligation of CSR expenditure this definition can be seen as under:

CSR means company's contribution toward social development.

CSR is a way of giving back to the society.

Making CSR mandatory is very exceptional and controversial move taken by India. This is exceptional because no other country has made this type of mandatory provision in their law, with this new development India has become the first country in the world to make CSR mandatory. . It is controversial because many in business believe the roughly Rs. 15,000 Cr. CSR spending from corporate India could be misused.

Making mandatory obligation of CSR there are so many philosophical logic associated with this, some of them are as under:

We must give back to nature what she has lent us ... the atom that make up our body, our liver our hair, our brain, our fingernail...all are loan from the universe. Actually this is not only a logic but it is truth in the sense that service to community or nation is the rent you pay for room here on earth.

Good and responsible companies or even individual citizens do not limit themselves to using resources to engage in activities that increase only

their profits; they use Corporate Social Responsibilities to integrate economic, environmental and social objectives with the company's operation and growth.

Most industries today have already realized the necessity of incorporating CSR into their business strategies. Strategically it is very important that how companies create and maintain intangible assets reputation, goodwill, trust, capabilities, brand values, competencies, network, and sympathy. When we will evaluate those organizations that are fairly and actively spend their part of profits then we will find that CSR initiative has more meaningful and long lasting positive result for businesses. The tangible assets like building and machine have relative value but serving society creates core value, actually this value gives long term value to a business.

According to a noble American writer:

“Charity or Goodness is the only investment that never fails”

Not only promoters, investors, employee, clients are the stakeholders of companies but also local community play a vital role in order to growth of the business where they conduct their business. To protect the interest of these stakeholders and community should be the primary goal of a company.

EVOLUTION:

Among other countries India has one of the oldest traditions of CSR. Indian entrepreneurs are well aware that social responsibility as an important segment of their business activities.

At the very first time (pre-industrialization period) charities and philanthropies were the main driver of CSR. Wealthy merchants shared a part of their wealth with the society by way of setting up Temple and Dharmshala. With the arrival of colonial rule in India from the 1850 onwards the CSR changed.

In the 19th century the Industrial family such as Tata, Birla, Godrej Bajaj, Modi, Singhanian were strongly involved in serving the society.

A growing number of corporate feel that spending by way of CSR is not an expense but it is an indirect investment for protecting and enhancing goodwill and reputation, defending attacks and increasing competitiveness. Companies have specialized teams and set up a separate wing that formulate policies, strategies and goals for their CSR programs and set aside a budget to fund them. Also companies join hands with NGOs and use their expertise in developing programs which address wider social problems and key issue of the society.

IMPORTANCE:

CSR is not new concept in India, ever since their inceptions corporate like Tata, Aditya Birla Group, Indian Oil Corporation, Bharat Petroleum, Maruti, Wipro, and Infosys have been involved in serving the community.

The mainstream CSR initiator companies use their CSR expenditure in the following ways:

- ▶ Promotion of literacy programs
- ▶ Eradicating poverty
- ▶ Promoting gender equality and empowering women
- ▶ Reducing child mortality and improvement maternal health.
- ▶ Combating HIV, AIDS, Malaria, Polio and other disease.
- ▶ Ensuring environmental sustainability.
- ▶ Enhancing vocational skills.
- ▶ Welfare of SC/ST/OBC/, Minorities and Women.

By way of the above initiatives if companies heartily and fairly execute their responsibilities then most of the societal as well as environmental issues can be sorted out by their social efforts.

Benefits to CSR initiator companies are as under:

- Enhanced relationship with stakeholders
- Attracting, retaining and maintaining a happy workforce
- Attracting/ acquiring new business.
- Increase in customer retention
- Differentiating yourself from the competitors.
- Media interest and good reputation.
- Making brand value.
- Enhancing influence in the industries.

So, Ben Cohen truly said that “As we help others we cannot help but help ourselves”.

It is our collective and individual responsibility to protect and nurture the global family, to supports its

weaker members and to preserve and tend to the environment in which we all live.

With the enactment of new companies act CSR is being viewed as a necessary tool of business strategy for certain companies who comes under the purview of this statutory CSR obligation.

The mainstream companies using the mandatory CSR fund in the following activity areas:

- i) Market focused initiatives
- ii) Product focused initiatives
- iii) Employee focus initiatives
- iv) Society focused initiative
- v) Environmental focused initiatives
- vi) Vocational training and skill development initiatives.

The companies using this CSR initiative as result driven/oriented for and that is this is the practical approach or practical application of CSR.

Here we take an example of Maruti's initiative toward local community:

In Gurgaon and Gujarat where the company's plant is situated, Maruti has set up a number of automobile training and development centre (ITI) at nearby these plant, where many tribal, college dropout students, non-graduate, un-skilled poor student are being trained free of cost.

After the completion of training program, Maruti hire those trained people for his company

It has been observed that these types of initiatives have numerous benefits from the company's point of view and community's point of view.

Company's point of view: Company get local employee at cheaper rate and no need to further training because this people get trained as per the company's requirement, also hiring of local people has many benefits like; company get sympathy from the local family, even in some cases, arising of any issue they solve mutually.

Community's point of view: Underprivileged people get skill and job easily. Their standard of living improved. Amenities, sanitation and other facilities are increased.

Similarly many Indian Financial Banking and Non Banking Companies, NSE and BSE are running financial literacy program and Investors awareness program as CSR initiative across the country and in return the most of the people who participate these

programs becomes financial literate and finally becomes the customers (clients) of these companies.

Many other mainstream companies of diverse sectors weather it is in manufacturing sectors or service sectors they using these initiatives strategically in the form of result (profit) oriented.

India is the first country to have statutory mandated CSR for certain class of as stated above.

My Third and Last Aim is to throw light on how certain companies, who come under the bracket of this mandatory provision but they do not want to spent toward CSR activities, they get their money back by way of other wrong route.

This companies are using on hire charitable trust to fabricate CSR spending

For Example:

If a company is obliged to spend say Rs. 10 Cr. on CSR it writes out a cheque in favor of a trust that works in education, health care, environment, protection or any of the activities as specified by the government as per the new companies act. 2013.

The trust after deducting its commission discreetly returns the money in cash to the official or promoter instantly this money (10 Cr. - Commission).

It is happening of just because of the law allows a lot of leeway (exemption). CSR spend disclosed by companies need not be vetted by statutory auditors unlike other spending.

Doing wrong in the Wright way

India has statutorily mandated corporate social responsibility for certain companies.	It is first and only country to have done so but law allows a lot of leeway
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What is the loophole?	How does it work?	Trouble spot
However CSR Spend disclosed by company need not be vetted by auditors	Co obligated to spend say Rs. 10 Cr. Writes cheque in favour of trust	Public trusts are favoured to launder money as they are not well-governed
Financial of	Trust after	There is no

charitable trusts also come under little statutory scrutiny	deducting commission, discreetly returns cash to officials/promoters	centralized repository of information on public trusts
Some companies are using on-hire charitable trust to fabricate CSR spending	This turns Rs. 10 Cr. of white money into black while middleman gets a cut	Though the financials are part of the directors' report which is audited by external auditors, the AOC-4(CSR Reporting Form) itself is not subject to external audit. It is a lacuna self report

E-Mail – sk_gupta55@yahoo.com

Thus, this type of approach should be panelized immediately by way of making corrective amendment in the new law.

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Corresponding Author

Santosh Kumar*

Guest Faculty Department of MBA, Sido Kanhu Murmu University, Dumka