



India's Corporate Social Responsibility: A Journey from Voluntary to Mandatory

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Abstract: *The journey of corporate social responsibility in India has evolved over a period of time. The concept emerged as a pure philanthropic activity to mandatory norms for a slab of Indian companies. India after introduction of Companies Act 2013 emerged as first country to have mandatory social expenditure norm owing to which it is necessary to understand its evolution overtime. The aim of this paper is to highlight the journey and overview CSR in a developing country like India.*

Keywords: *Corporate social responsibility, Mandatory, Voluntary, India*

1. INTRODUCTION

The roots of CSR are purely philanthropic in nature. In absence of any mandatory norms in India, many big corporates, Saints, Kings, Rishis etc. assumed their social responsibility (S. Vijay Kumar, 2017) towards the society on the basis of simple logic that we derive benefits from society thereby we owe to return back by serving it. There have been a drastic turning point in the history of India by mandating social expenditure with the introduction of Companies Act, 2013. This act replaced old Companies Act, 1956. The new act requires certain categories of companies to earmark certain percentage of their earnings for the pursuance of CSR activities. This can be witnessed in increased responsibility reporting by companies. Companies along with their financial reports are now publishing non-financial reports showing their participation in the betterment of society. The promotion of CSR has been effectively upheld by the world associations like World Bank, UNDP etc. Introduction of Sustainable development goals (popularly known as SDGS) is one of the examples of them. United Nations introduced 17 Sustainable Development Goals (SDGs) in 2015 which were adopted by its member countries with 15- year life span objective i.e. they are to be achieved by 2030 by its member countries.

2. LITERATURE REVIEW

Tilt (2016) argued that each country has different environment in terms of sociocultural, politico legal and economic which influences CSR and its reporting. Thereby, such contextual issues must be addressed while researching CSR reporting.

Fordham & Robinson (2018) did interviewed various groups in Australia like corporate leaders, industrialists, environmental specialist and community leaders and concluded that CSR is a multidimensional construct. Mapping of Carroll's CSR dimension construct namely; economic, legal, ethical, discretionary and interaction was made in evolving the working definition of CSR from the resource industry that can be used in a specific context.

Agudelo et al., (2019) investigated the history of evolution of CSR in society. It argued that societal expectations of accepted behaviour of business houses which emerged due to certain public and international events shapes the acceptance and intergration of CSR throughout its evolution.

Tamvada (2020) stressed upon having uniform CSR regulation and legislation across the world in order to ensure consistency in discharge of socially oriented responsibilities. Study depicted the interrelationship between moral responsibility, legal responsibility and accountability as core elements of responsibility whereby it argued that in absence of accountability of actions there won't be any effective discharge of moral, legal and social obligations.

3. OBJECTIVES OF THE STUDY

The major objectives of the study are:

- To briefly study the evolution of Corporate Social Responsibility (CSR)
- To examine the current scenario of CSR in India including the Top performing companies in 2019 and 2018.

4. EVOLUTION OF CSR

CSR or Corporate Citizenship is all about holistic contribution of business towards society both in delivering good quality products and services as well as upliftment of society in terms of social progress, sustainable development etc.. CSR is a concept of social accountability towards its stakeholders (shareholders, customers, employees, government, suppliers etc.) whereby stakeholders are defined as all those who affect and get affected by actions of corporate decisions.

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World Business Council for Sustainable Development (WBCSD) defined "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"

CSR embraces the integration of environmental and societal concerns into decision making of business operations while incorporating expectations of shareholders in the form of reasonable return on capital invested. Various studies resulted in positive impact of CSR related activities on financial performance of companies (Preston and O'Bannon, 1997; Waddock and Grave, 1997; Guzman et. al, 2016). Such impact is ascribed to creating favourable brand and public image of company because its participation in social concerns.

Linkage of Concept of Social Responsibility with Religious Teachings

The roots of voluntary contribution towards upliftment of society can be seen in various Religious beliefs of *Hindus, Sikhs, Islam* etc. For example, in **Hinduism** four different Vedas like *Rig Veda, Sama Veda, Yajur Veda and Atharva Veda* always preach about moral values in business like detachment, dharma and Karma, serving to humanity & society as a whole etc whereby in **Sikhism and Islam** there are concepts like Dasvandh or Dasaundh (tenth part or 10%) and Zakat are used which signifies the importance of donating a part of your earnings for charitable causes. Such religious teachings have always been the base root of pure philanthropic contribution towards the needy and for upliftment of society at times when corporate houses or ancient India was under no statutory obligation to contribute.

From "Shareholder" to "Stakeholder" Theory

From the above definitions and concept of Corporate Social Responsibility (CSR) it is very much evident that CSR is termed as responsibility towards all those who are affected directly or indirectly through business operations namely stakeholders. In traditional view point, business is only concerned with the true owners of company i.e. shareholders whereby profit maximization used to be the sole objective. However, in modern era one can't sustain for long term with the traditional objective of business concerns due to increased awareness amongst various groups of society. Thus, there is a move to "*profit optimization*" objective from "profit maximization".

Triple Bottom Line

With the increased degradation of environment in world, there is a paradigm shift in priorities, objectives and focus of business. In an era of enhanced socially conscious and

environmental concerns among investors, community at large etc. one cannot survive with sole objective of profit maximization. Thus, a new emerging concept is "Triple Bottom Line" which ranks the focus of companies in terms of "**PLANET, People and Profit**". This is in contrast to traditional bottom line where performance measurement used to be solely done on the basis of profit making and thus appreciating share value.



5. TRIPLE BOTTOM LINE

- **PLANET (P):** This bottom line is majorly concerned with environment and it also sometimes termed as "Natural Capital Bottom Line". The main aim of this bottom line is to reduce the magnitude of ecological footprints of company through investigating the impact of corporate actions on environment throughout the Product Life Cycle (PLC).
- **PEOPLE (P):** This bottom line is concerned with human element of society in terms of company's stakeholders whereby company assesses the impact of its action on community as whole. Shift in the concept from "Shareholders" to "Stakeholders" is the basis of this outlook where company is not only accountable to owners (namely, shareholders) but to varied interested groups (namely, stakeholders).
- **PROFIT (P):** This bottom line is concerned with earning "reasonable" profit so as to give fair rate of return on capital invested by investors/ shareholders/ true owners of company while integrating the concern for environment and community at large.

Current Scenario of CSR in India

CSR evolved as voluntary to mandatory norm in India where promulgation of *Companies Act 2013* made it a mandatory norm. Section 135 deals with such mandate which states compulsory spending a part of its profit by certain companies on CSR activities.

As per Section 135 of Companies Act 2013, every company having net worth of Rupees 500 crore or more, or turnover of Rupees 1000 crore or more or net profit of Rupees 5 crore or more will spend at least 2% of its average net profit of preceding last three financial years on CSR activities.



Fig. 1. Companies under Mandatory Spend Norm

Top Companies spending on CSR Activities

The current rankings of companies spending on CSR activities is shown in below table:

TABLE 1: Top CSR Companies in India (2019 Vs 2018)

Rank (2019)	Company Name	Rank (2018)	Company Name
1	Tata Chemicals Ltd.	1	Tata Chemicals Ltd.
2	Infosys Ltd.	2	Ambuja Cements Ltd.
3	Bharat Petroleum Corporation Ltd.	3	Infosys Ltd.
4	Mahindra & Mahindra Ltd.	4	Mahindra & Mahindra Ltd.
5	ITC Ltd.	5	Tata Motors Ltd
6	Ambuja Cements Ltd.	6	Tata Power Company Ltd.
7	Tata Motors Ltd.	7	Bharat Petroleum Corporation Ltd.
8	Vedanta Ltd.	8	ITC Ltd.
9	Hindalco Industries Ltd.	9	Hindustan Zinc Ltd
10	Toyota Kirloskar Motor India	10	Indian Oil Corporation Ltd.

Source: The CSR Journal

Above data shows Top 10 Ranked companies spending on CSR Activities in 2019 and 2018. Infosys Ltd., Bharat Petroleum Corporation Ltd., ITC Ltd., Vedanta Ltd., Hindalco Industries Ltd. and Toyota Kirloskar Motor India have improved their Rankings as compared to previous year. Tata

Chemicals Ltd. is consistently ranked no. 1 since 2016 (*Futurescape Ratings*). In 2018, out of Top 10; 3 belonged to Tata group of Companies which is consistent with the fact that Tata have always been pioneers in social investment.

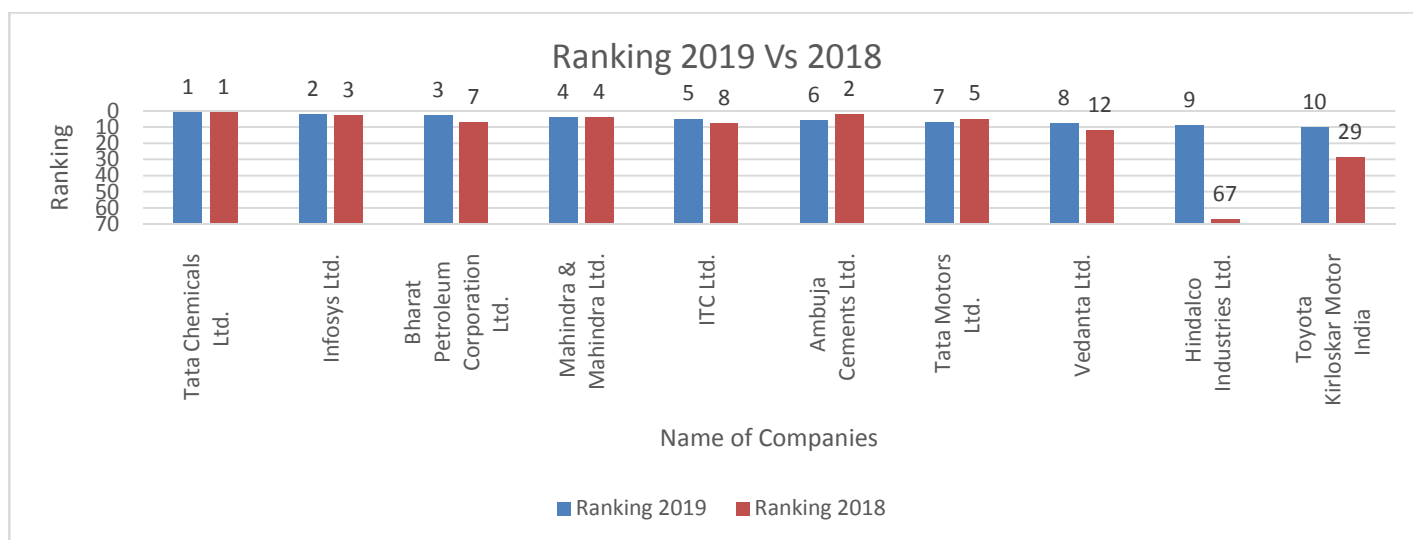


Fig. 2. Ranking of Top Ten Companies (2019 Vs 2018)

The above figure shows ranking of Top 10 companies in 2019 as compared to their own previous year ranks (2018). From the above it can be seen that Hindalco Industries Ltd. drastically improved its performance over past year i.e. bring ranked 67th in 2018 to No. 9 in 2019 whereby Tata Chemicals Ltd. and Mahindra & Mahindra Ltd. are consistent in terms of their ranking in both years.

6. CONCLUSION

It is evident that Corporate citizenship or CSR has a long journey from voluntary to becoming a mandate in India. India with enactment of Section 135 of Companies Act, 2013 became the first country to mandate CSR expenditure of atleast 2% of average net profit of preceding three financial years. Tata Chemicals Ltd. is on the top of the list in the country since 2016. Since 2013 also there have many amendments that have been made to overcome the loopholes of the Act. The concept of CSR got more acceptance with emergence of the term “Stakeholder” which means all those who get affected by corporate actions. With the increasing deterioration of environment and emergence of diseases like Coronavirus, it calls for acceptance of social, moral and environmental responsibilities on part of everyone including corporate houses so that we can make “World a better place to live”.

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