CORPORATE SOCIAL RESPONSIBILITY
An Analytical overview

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ABSTRACT
In India, Companies Act-2013 has called upon Corporate Houses having a net worth of Rs.500 crore or more, or a turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more to have a CSR-spend of at least 2 per cent of their average net profits of the preceding three years. The Act has identified 12 Activities relevant for CSR-spend. The CSR beneficiaries are those who live in villages and towns. The CSR is an obligation of the companies to discharge their social, economical, legal, ethical, and philanthropic responsibilities to benefit the common people. Business owners, employees and their families, stakeholders, share holders, suppliers, and dealers are excluded from the purview of CSR beneficiaries. Although the CSR-agenda started with effect from 1st April, 2014, the compliance of 2 per cent norm is hardly 13.50 per cent of 16000 and odd companies registered with the Ministry of Corporate Affairs. In order to see mandatory 2 per cent spend in CSR activities, some sort of regulatory authority is much sought after. Similarly, companies own subsidiary Foundations formed especially for implementing their CSR activities should be discouraged, rather dispensed with. Instead, Corporate Houses should come together and form a “National Consortium For CSR Interventions”. Besides, at least 41 per cent of CSR budget should be allocated to NGOs for implementing their CSR activities.

Key Words: CSR, Net Profits, Beneficiaries, Implementing Agencies, Companies.

INTRODUCTION
Corporate Social Responsibility (CSR) has evolved from simple philanthropic activities to integrating the interest of the Business with that of the communities in which it operates. It is recognized the World over that integrating social, environmental, and ethical responsibilities into the governance of the Business ensures their long-term success and sustainability. This approach re-affirms the view that Businesses are an integral part of the Society wherein
Corporates give back to the community in equal or greater measure than what they consume their local resources.

In India, The Companies Act-2013 has introduced CSR a mandatory requirement of each eligible Company. The Companies Act-2013 has thus called upon Indian Companies having a Net Worth of Rs. 500 crore or more, or a Turnover of Rs. 1000 crore or more, or a Net Profit of Rs. 5 crore or more to have a CSR-spend of at least 2 per cent of their Average Net Profits of preceding three years.

Application of CSR started with effect from 1st April, 2014. Net Profits before tax form the base for calculating CSR spending. The CSR-activities are to be implemented directly or through dedicated registered Trusts, NGO, Public Bodies, and Societies registered under Societies Registration Act of 1860. All CSR activities are to be implemented within India. Activities exclusively meant for employees and their families, Company Management, Stakeholders, Suppliers, and Retailers can not be treated as CSR under these rules. Preferably, Company's CSR-activity is required to be initiated in and around the area or local community where the company operates its business. The scope of activities provided in the draft schedule for CSR-Spending are listed below:

**CSR-Activities:**
1) Promoting preventive “Healthcare”, treating malnutrition, sanitation and clean environment, and providing safe drinking water.
2) Eradicating hunger and Poverty.
3) Promoting Education, Special Education, and employment – enhancing Vocational Skill especially for youths, women, elderly, and differently-abled persons.
4) Promoting gender equality, Women Empowerment, building women hostels, orphanage homes, Senior Citizens Facilitation Centres, and setting up of Day-Care Creches.
5) Ensuring environmental sustainability, ecological balance, conservation of natural resources, and protection of flora and fauna.
6) Protection of National Heritage, Arts & Culture, Setting up of public libraries, promotion and development of traditional Arts and handicrafts.
7) Measures for the benefit of Armed forces Veterans, War Widows, and their dependents.
8) Building Training Complexes to promote rural sports, Nationally-recognized Games, Para-Olympic, and Olympic Sports.
9) Contribution to any central government initiative / scheme set for the upliftment of weaker section of Society for various social causes.
10) Contribution of Central Government approved technology incubators located within academic institutions.
11) Rural development projects especially designed for augmentation of Income and enhancement in Rural Livelihoods.
12) Infrastructures development meant for Slum Area Improvement.

Corporates Dossier:
The CSR study conducted by Times of India Group reported (Dec-2014) that only 13.5 per cent of the Companies currently comply 2 per cent norm. Only top 10 Corporates complied with a spend of 2 per cent norm. The average CSR-Spend as a percentage of Per Annum Turnover for 74 Companies is 1.02 per cent. India's top 10 Best Companies for CSR-2014 are listed below:

1. Tata Steel  
2. Tata Chemicals  
3. Mahindra Group  
4. Maruti Suzuki  
5. Tata Motors  
6. Siemens  
7. Larsen & Toubro  
8. Coca Cola India  
9. Steel Authority of India  
10. Infosys

The IIM-Udaipur attempted to rank the Companies on the basis of Four criteria: (1) Governance: How well is the Governance for CSR structure, (2) Disclosure: How forthcoming are companies with respect to CSR activities and performance, (3) CSR Stakeholders: How well are key stakeholders (employees, community, customers, and suppliers integrated within a Company's CSR framework, and (4) Sustainability: How pervasive are sustainability practices of the companies. Theses 4 criteria were assigned relative weights as 20 per cent to Governance, 10 per cent to Disclosure, 50 per cent to CSR stakeholders, and 20 per cent to sustainability. Based on the presence or absence of these 4
parameters, the study looked at 115 companies and arrived at their Rankings as follows:

1. Automobiles
2. Banks
3. Diversified FMCG
4. Infrastructures
5. Information Technology
6. Metals & Mining
7. Oil Companies
8. Power
9. Steel
10. Pharmaceuticals
11. Tele communication

A survey conducted by Mercer titled as “CSR and Sustainability Programs, Policies, and Practices” across 40 Indian companies reported (November-2014) their key findings as follows:

1. That 80 per cent companies viewed section-135 of the Companies Act-2013 which mandated 2 per cent CSR-Spend as Impractical.
2. That 73 per cent of the Participating Companies employ a Sustainability policy.
3. That 58 per cent Companies had an Annual Centralized budget for CSR sustainability.
4. That nearly 44 per cent companies have a dedicated team responsible for CSR.
5. That 17 per cent companies are undertaking CSR-activities without a policy or guidelines.
6. That 90 per cent companies HR held part-time responsibility for CSR.
7. That there are three Core-Areas around which most of the current CSR activities are based: Education 81 per cent, Community-based development 64 per cent, and environmental sustainability within the company 61 per cent.

**BANKS’ CSR-Funds:**
In April-2014, we did an exercise to work out the CSR-amount generated by Banks registered as Limited Company. The findings of 38 banks presented in Table 1 show that a staggering figure of Rs.1852.44 crore was made available for social causes activities by these banks for spending in CSR-domain during 2012-13. Of this amount, two banks namely State Bank of India and HDFC Bank were the biggest generators of CSR-funds followed by Kotak Mahindra and Punjab National Bank. This is the huge amount
sufficient to meet India’s rural development projects. Every year, these 38 banks will continue to generate almost 2000 crore rupees for CSR-activities.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>NAME OF THE BANK</th>
<th>HQTRS CITY</th>
<th>SALES TURNOVER (In Cr. Rs.)</th>
<th>NET PROFITS BEFORE TAX (in Cr. Rs.)</th>
<th>CSR-FUNDS (in Cr. Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>State Bank of India</td>
<td>Mumbai</td>
<td>19551</td>
<td>399.02</td>
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<td>2.</td>
<td>IDFC Bank</td>
<td>Mumbai</td>
<td>42994</td>
<td>1549</td>
<td>399.32</td>
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<td>3.</td>
<td>Kotak Mahindra</td>
<td>Mumbai</td>
<td>15950</td>
<td>3485</td>
<td>139.70</td>
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<td>4.</td>
<td>Punjab National Bank</td>
<td>New Delhi</td>
<td>47360</td>
<td>6516</td>
<td>130.32</td>
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<tr>
<td>5.</td>
<td>Canara Bank</td>
<td>Bangalore</td>
<td>37338</td>
<td>2995</td>
<td>059.90</td>
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<td>6.</td>
<td>Bank of India</td>
<td>Mumbai</td>
<td>35880</td>
<td>2966</td>
<td>59.32</td>
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<td>7.</td>
<td>Yes Bank</td>
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<td>2959</td>
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<td>Central Bank</td>
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<td>23573</td>
<td>2368</td>
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<td>9.</td>
<td>Indusind Bank</td>
<td>Mumbai</td>
<td>08346</td>
<td>2249</td>
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<td>10.</td>
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<td>11.</td>
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<td>Mumbai</td>
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<td>2132</td>
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<tr>
<td>12.</td>
<td>Syndicate Bank</td>
<td>Manipal</td>
<td>18395</td>
<td>2004</td>
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<td>13.</td>
<td>Andhra Bank</td>
<td>Hyderabad</td>
<td>13557</td>
<td>1771</td>
<td>35.42</td>
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<td>14.</td>
<td>Indus Bank</td>
<td>Chennai</td>
<td>15187</td>
<td>749</td>
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<td>15.</td>
<td>ICICI Bank</td>
<td>Mumbai</td>
<td>07420</td>
<td>1640</td>
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<td>16.</td>
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<td>1536</td>
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<td>17.</td>
<td>Vijaya Bank</td>
<td>Bangalore</td>
<td>09659</td>
<td>1521</td>
<td>30.42</td>
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<tr>
<td>18.</td>
<td>Allahabad Bank</td>
<td>Kolkata</td>
<td>19026</td>
<td>1512</td>
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<td>19.</td>
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<td>Bangalore</td>
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<td>1383</td>
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<td>20.</td>
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<td>Pune</td>
<td>10536</td>
<td>1224</td>
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<td>22.</td>
<td>Federal Bank</td>
<td>Alwany</td>
<td>06911</td>
<td>1034</td>
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<td>23.</td>
<td>Dena Bank</td>
<td>Mumbai</td>
<td>09564</td>
<td>819</td>
<td>16.20</td>
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<td>24.</td>
<td>Indus Overseas Bank</td>
<td>Chennai</td>
<td>22250</td>
<td>747</td>
<td>14.94</td>
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<td>25.</td>
<td>State Bank of B &amp; J</td>
<td>Jaipur</td>
<td>08224</td>
<td>730</td>
<td>14.60</td>
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<tr>
<td>26.</td>
<td>UCO Bank</td>
<td>Kolkata</td>
<td>17704</td>
<td>653</td>
<td>13.06</td>
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<tr>
<td>27.</td>
<td>State Bank of Travancore</td>
<td>Trivendram</td>
<td>09288</td>
<td>622</td>
<td>12.44</td>
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<td>28.</td>
<td>Karur Vysya Bank</td>
<td>Karur</td>
<td>04695</td>
<td>552</td>
<td>11.64</td>
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<td>29.</td>
<td>South Indian Bank</td>
<td>Thrissur</td>
<td>02769</td>
<td>525</td>
<td>10.30</td>
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<tr>
<td>30.</td>
<td>Punjab &amp; Sind Bank</td>
<td>New Delhi</td>
<td>07757</td>
<td>487</td>
<td>9.74</td>
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<tr>
<td>31.</td>
<td>Dhanakshmi Bank</td>
<td>Thrissur</td>
<td>09584</td>
<td>477</td>
<td>9.54</td>
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<tr>
<td>32.</td>
<td>State Bank of Mysore</td>
<td>Bangalore</td>
<td>00661</td>
<td>416</td>
<td>8.52</td>
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<tr>
<td>33.</td>
<td>United Bank</td>
<td>Kolkata</td>
<td>10318</td>
<td>392</td>
<td>7.34</td>
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<tr>
<td>34.</td>
<td>Karnataka Bank</td>
<td>Mangalore</td>
<td>04162</td>
<td>348</td>
<td>6.96</td>
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<td>35.</td>
<td>City Union Bank</td>
<td>Kambakonam</td>
<td>02462</td>
<td>327</td>
<td>6.34</td>
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<tr>
<td>36.</td>
<td>Ratnakar Bank</td>
<td>Kolhapur</td>
<td>01006</td>
<td>093</td>
<td>1.86</td>
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<td>37.</td>
<td>Lakshmi Vialo Bank</td>
<td>Karar</td>
<td>01958</td>
<td>092</td>
<td>1.84</td>
</tr>
<tr>
<td>38.</td>
<td>Corporation Bank</td>
<td>Mangalore</td>
<td>19615</td>
<td>579</td>
<td>11.58</td>
</tr>
</tbody>
</table>

**TOTAL** | 1852.44
Implementing Agency:
At present, CSR in almost all the Corporate Houses is voluntary through their own Subsidiary Foundations formed especially for the purpose of CSR-Spend. Although these Foundations are working but often these entities work in isolation without creating any synergy. After the introduction of New Companies Bill-2013, there was a need to understand CSR altogether in different frame of reference. In an emergency economics like India, building a common platform where all the Corporate Houses could converge to discharge their CSR obligations together was a better alternative. Here does exist the scope to form a “National Consortium of Corporates For CSR Interventions”. This is an organized approach which can maximize the CSR impact. In addition to these two outfits, there are many more equally effective Agencies working to deal with CSR interventions. All the 60 state Agricultural Universities, 5 Agri-based ICAR Deemed Universities, 30 Colleges of Home Science, 110 ICAR Institutes, and all 200 and odd traditional Indian Universities have Department / Directorate of Extension Education which carry their regular Outreach Extension Programs for Social Causes. Department of Extension Education of these Universities, therefore, can not be ignored to fulfill CSR obligations. Fourthly, there are a large number of NGOs, established as professional Societies / Associations / Trust under Societies Registration Act of 1860. These NGOs are doing a good job to execute development interventions. Indian Society of Extension Education is one such 50 years old Agency which can best serve CSR agenda. Fifthly, Corporates Private Partnership Deed (CPP-Deed) jointly formed based on Mutual Memorandum of Understanding between Corporate House and Private party is equally mandated Agency which can appropriately execute CSR initiatives. Sixthly, there are many Voluntary Groups like Self Help Groups in Civil Societies, Project Teams in Research organizations, and Social Workers Clubs in Public Sector Undertakings and Government Departments which have definite CSR policy in place. Their roles in execution of CSR agenda, therefore, can not be ruled out.

In all, there are Six Agencies which can be tied up with CSR initiatives. All these six Agencies, however, can not be put at the same level of their suitability for implementation of CSR activities. Their compatibility has to be judged in relation to the Corporate
Houses. Their Appropriateness towards CSR initiatives was, therefore, worked out by a group of Experts. In this exercise, rank order of six agencies was derived. Agency placed at first rank is the most appropriate agency for CSR initiatives. Agency placed at second rank is the second appropriate agency. Agency placed at third rank is the third appropriate agency and so on.

Table 2: Proportional Allocation of CSR funds to six Implementing Agencies

<table>
<thead>
<tr>
<th>AGENCY RANK</th>
<th>CSR-AGENCIES</th>
<th>PROPORTIONAL SCORE</th>
<th>PROPORTIONAL ALLOCATION OF CSR-FUNDS (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>NGO / Association</td>
<td>100/1 = 100</td>
<td>100 x 100 /244 = 41</td>
</tr>
<tr>
<td>Second</td>
<td>National Consortium</td>
<td>100/2 = 50</td>
<td>100 x 50/244 = 20</td>
</tr>
<tr>
<td>Third</td>
<td>University Dept. of Ext. Edu.</td>
<td>100/3 = 33</td>
<td></td>
</tr>
<tr>
<td>Fourth</td>
<td>CPP-Deed</td>
<td>100/4 = 25</td>
<td>100 x 25/244 = 10</td>
</tr>
<tr>
<td>Fifth</td>
<td>Companies own Foundations</td>
<td>100/5 = 20</td>
<td>100 x 20/244 = 08</td>
</tr>
<tr>
<td>Sixth</td>
<td>Voluntary Groups</td>
<td>100/6 = 17</td>
<td>100 x 17/244 = 07</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6</td>
<td>244</td>
<td>100 %</td>
</tr>
</tbody>
</table>

These ranks were converted into Percentages as shown in table 2. Allocation of CSR funds to these six Agencies has to be made according to their percentage share in available CSR funds. Percentage figures thus derived in table 2 indicate that 41 per cent of CSR funds need to be allotted to first rank Agency named as “NGOs and Associations” for implementing the companies CSR activities. Second rank Agency named as “National Consortium of Corporate Houses For CSR Interventions” is to be allocated 20 per cent of CSR funds. Similarly, third rank Agency named as “University department of Extension Education” should be given 14 per cent share in CSR funds. Fourth rank Agency named as “Company's Private Partnership” should also be given CSR funds to the extent of 10 per cent. Companies' own “Subsidiary Foundation” placed at 5th rank should restrict their CSR Spend not more than 8 per cent only. Voluntary Groups should also be given opportunity to implement CSR activities with a 7 per cent allocation of CSR Spend. This is how principle of social justice is
protected by distributing the available budget to different Implementing Agencies.

**CSR Beneficiaries:**
Corporate Houses looking beyond profits is generally termed as CSR. The CSR is an obligation of the companies to discharge their Social, Economical, Legal, Ethical, and Philanthropic responsibilities to benefit the Common People, the Communities, and the Societies in both the Rural and Urban settings. The people who live in villages, the village communities, and the Rural Societies are the real beneficiaries of CSR initiatives. Similarly, the People living in cities & towns, the Urban Communities, and Urban Societies are another segments of CSR beneficiaries. Companies CSR Bill-2013 has excluded the business owners, employees and their families, stakeholders, shareholders, suppliers, and dealers from the purviews of CSR Spend. They, therefore, cannot be the beneficiaries of CSR initiatives. Since 75 per cent population lives in Indian villages and 25 per cent in cities, CSR funds also need to be divided in this proportion. CSR- Paradigm thus contains the following categories of CSR beneficiaries:

**A. RURAL SETTINGS:**

**I. Common People:** Those who represent a common group in a village are individual beneficiaries. Their trade name are:

1. Farmers  
2. Dairymen  
3. Poultry Keepers  
4. Craftsmen  
5. Artesans  
6. Rural Women  
7. Rural Youths  
8. Elderly Sr. Citizens  
9. Landless Labourers  
10. Village Industries Entrepreneurs

**II. Communities:** Community beneficiaries are those who are benefitted from an Activity that benefits the entire village community.

1. Construction of the approach roads  
2. Lighting village roads through Solar Energy.  
6. Sanitation of Village roads and water channels
9. Rural Housing
10. Kisan Mela-Dairy Mela
11. PPP Model Rural School
12. Gram Convention Centre
13. Gram Nyayalaya: Khap Panchayat
14. Rural Godowns & Stores
15. Community Radio Station
16. Rural Industries Service Centre
17. Traditional Industries
18. Workshed for rural artesans
19. Rural Empowerment Centre : SHG
20. Micro and Small Business Enterprises

III. Rural Societies: Rural Societies are composed of many sectoral bases. It may be Block-wise, Tehsil-wise, MLA Constituency-wise, Rural Cooperatives-wise, and Zila Panchayat's ward-wise. Of these many sectoral basis, the most appropriate basis of demarcating a rural Society is Zila Panchayats ward. Roughly, there are 20 wards in a Zila Panchayat and each ward is made of 20 villages. Therefore, CSR activities listed below need to be initiated in each of these wards:

1. Rural Business Hub: Merchant Services
2. Rural-Urban Connectivity Transport
3. Legal Aid: PIL, Consumer Forum, RTI
4. Area Mandi for farm produce
5. Animal Marketing Peeth
6. Rural Bank
7. Vocational Training Centre
8. Mobile Dispensary Van & Ambulance Service
9. Rural Economic Zone
10. Environmental Protection Measures

B. URBAN SETTINGS:

I Individual beneficiaries: CSR-Activities specified for those who are less privileged persons belonging to a particular class are individual beneficiaries.
1. Orpahns 6. Sex Workers
2. Adolescents 7. LGBT
3. Beggars 8. Rape Victims
5. Street Children 10. Differently-Abled Persons

II. Communities: The CSR-Activity that benefits the entire Community or group settled in cities and towns in colonies, Housing Societies, and localities etc are Community Beneficiaries. Following interventions are delineated in this category.

1. CHS: Creating common Facilities
2. Slum Area Improvement: Infrastructures Development
3. Malnutrition: Balance Diet Mid-day Meal
4. Clean Environment: Noise Pollution, Air Pollution etc.
5. Special Education: Differently-Abled Persons
6. Day care crèches
7. Public Libraries
8. Traditional Artesanries & Handicrafts
9. Preventive Healthcare Centre
10. Sr. Citizens Facilitation Centre

III. Urban Societies: It covers the entire city. Therefore, the CSR-Activity that could benefit the entire conglomerations of towns and cities are Urban Societies Beneficiaries. Its interventions are specific to the needs of urbanization. Some of these Urban-loaded activities are listed below:

1. Public Interest Litigations: Legal Aids Cell
2. Environmental Protection Campaigns
3. Nuisance Awareness
4. Orphanage House
5. Beggars Home
6. Working Women Hostels
7. Old-Age Homes
8. Widhwa Ashram
9. Home For Women in Distress
10. Destitudes Homes
11. Labourers Shelters
12. Sanitarium  
13. Stadium  
14. Public Auditorium  
15. Stray Animals Shala  
16. Convention Centre  
17. Ambulance Service  
18. Electric Crematorium  
19. Public Toilets  
20. Public Healthcare Centres

CONCLUSION
Companies looking beyond profits is generally termed as CSR. Companies are no longer the instrument of share holders domain. Corporate Houses also have responsibilities to serve the Societies within which they exist. Companies can not do business without being socially responsible. The CSR element, therefore, “Must Have Status” in business strategy. It should not be looked as a “Tax Planning”. It should be well-defined within the framework of Corporates' philosophy which could serve the communities and the regions around what Mahatma Gandhi called it “Social Trusteeship”.

General observation is that a large number of Corporate Houses are treating CSR as a “peripheral item” in which their actions are largely ornamental. In today’s CSR, there is a paradigm shift where companies have to make CSR a part of their “Mainstream activities” which not only maximize profits but also fulfil larger social goals. This twin philosophy of maximising profits and maximising societies' welfare is the latest global trend. Stakeholders of the companies are ruled out from the ambit of this CSR mantra.

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