

Corporate Social Responsibility: A Norm to Follow or an Ethical Conduct

Sapna Thukral¹ • Surbhi Pahuja²

¹Assistant Professor, Sant Hari Dass College of Higher Education, GGSIUP, New Delhi

²Assistant Professor, Sant Hari Dass College of Higher Education, GGSIUP, New Delhi

Email Id: sapna_thukral@yahoo.in¹ • surbhi_pahuja@yahoo.in²

Abstract. Corporate social responsibility is continuing commitment by business to conduct its practices ethically and to contribute to economic development while improving the quality of life of the workforce, their families, the local community and society at large the corporate world has also realized that they should be accountable for the impact they pose to environment and society, therefore the demand for CSR is being increasing. The purpose of this paper is to study that whether TCS, Aditya birla NUVA and Reliance foundation are doing CSR just because of the mandatory clause or they are ethical and responsible towards the society.

Keywords: Corporate Social Responsibility, Tata Consultancy Services, Reliance Industries

1 Introduction

The broad rationale for a new set of ethics for a corporate choice making, which clearly constructs an organization's social responsibility, arises from the fact that a business enterprise derives several benefits from the society, therefore, it is required that the enterprise should provide returns to society as well. More importantly, in this age of widespread communication and growing emphasis on transparency, the managers should help their company in development of a CSR management and reporting framework. In today's socio-economic scenario the concept of CSR has become widely incorporated with business ethics all over the world. The need of CSR is even more urgent in developing countries where economic disparities are more pronounced.

CSR means that corporation and businesses in general while working on their main goal of maximizing their shareholders' profit should also keep in mind the societal concerns and needs and act responsibly towards the society in which they operate (Melikyan, 2010). World Business Council for Sustainable Development has defined CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local communities".

The concept of CSR first emerged in the 19th century in Great Britain (Asongu, 2007). However, it was in the United States (US) which experienced the growing interest in CSR in the 1960s. The scope of CSR was widened in the 1980s which integrated corporate objectives with the social responsibility of business thereby making it responsible to care for environment, employees and also make good profits. In India, corporate social responsibility began in the form of charity and traditional philanthropy which was predominantly influenced by Gandhian Ethical economic model. The Ethical model was followed by Statist model of Nehru. The Statist economic model emphasized on the state ownership and legal requirements to decide the corporate responsibilities. After 1970, the Liberal model supported by Milton Friedman focused on adherence to law and creation of wealth and fulfilling CSR through taxation and private charitable choices. The post-1990 period experienced more direct engagement of corporate in mainstream development and concern for disadvantaged groups of society. This was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest sum 47 percent was spent through company (Prabhakar and Mishra, 2013).

In an effort to properly position the Indian economy for the remainder of the century, India has replaced its fifty-seven-year old Companies Act of 1956 with the Companies Bill, 2012. the recently passed Companies Bill 2013 which replaced 1956 Companies Act has made CSR spending and reporting more stringent. The Bill makes the provision to constitute a Corporate Social Responsibility Committee of the Board for companies with having a specific profit layer. The Committee consists of three or more directors, out of which at least one director shall be an independent director (Ministry of Law and Justice, 2013). The Board's report under sub-section (3) of Corporate Social Responsibility and Sustainable Development in India 685 section 134 shall disclose the composition of the Corporate Social Responsibility Committee (Ministry of Law and Justice, 2013). Clauses 134 and 135 of the Act specifies that companies with net worth more than Rs 500 crores, or turnover more than Rs 1000 crores, or net profit more than Rs 5 crores are required to constitute a CSR committee to formulate CSR policy for the company. Companies are now obligatory to spend a minimum of 2 percent of average net profit earned during preceding three years before formulation of the policy (Singh and Agarwal, 2013). Furthermore, Section VII of the Companies Bill has considerably widened the ambit of CSR activities which now includes:

- i. Poverty eradication
- ii. Promotion of education, gender equality and women empowerment
- iii. Reducing child mortality and improving maternal health
- iv. Combating AIDS/HIV, malaria and other diseases
- v. Ensuring environmental sustainability
- vi. Employment-enhancing vocational skills and social business projects
- vii. Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities and women.

2. Objectives of the Study

The following are the key objectives of the research study:

- i. To understand the meaning and Concept of CSR.
- ii. To study the policies governing CSR in India.
- iii. To study the impact of 2% mandatory Clause policy Governing CSR in India and the contribution of companies in various activities of CSR.

3. Methodology and Research Design

The research paper is an attempt of Descriptive research, based on the secondary data sourced from Annual reports, journals, magazines, articles and media reports.

4. Results and Interpretations

Company/ Year	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):	
	2013-2014	2012-2013
TATA Consultancy Services	0.48% 18,474.92 Crore (PAT)	0.51% 12,786.34 Crore (PAT)
Aditya birla nuvo	0.84% 67,395 lakhs(PAT)	1.91% 42,305 lakhs(PAT)
Reliance	3.24% 21,984 crore(PAT)	1.7% 21,003 Crore(PAT)

Table 1.1

Interpretations:

- It can be interpreted from the above table that in the year 2012-2013, no company has touched the 2% mandatory benchmark as stated by the new companies act.
- In the succeeding year i.e. 2013-2014 only the total spending of Reliance on CSR activities touched the 2% benchmark after the mandatory clause came into effect.
- The contribution of TATA consultancy services to CSR activities is very less in comparison to the profit after tax earned by the company and the contribution of Aditya birla nuvo has decreased after the 2% mandatory clause came into effect.

CSR Activities As per Govt.	RELIANCE	ADITIYA BIRLA NUVO	TCS
Poverty eradication			
Promotion of education, gender equality and women empowerment	✓	✓	✓
Reducing child mortality and improving maternal health			
Combating AIDS/HIV, malaria and other diseases	✓	✓	✓
Ensuring environmental sustainability	✓	✓	✓
Employment-enhancing vocational skills and social business projects			
Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities and women			

Table 1.2

Interpretations:

- It can be observed from the above table that all three companies are primarily focusing on education sector with regard to their CSR's Contribution.
- Poverty and unemployment are two major problems in india and none of these companies have focused on these problems with regard to CSR.

4 Concluding Observations

Although, there are various laws that focus on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach. Given the uncertain economic scenario coupled with widespread poverty and unemployment, it becomes very difficult on the

part of government to take stringent action against national and multinational business firms to ensure greater compliance to CSR laws and legislations. Although the Government of India framed various policies related to CSR but these policies remain only on paper and companies fails to implement them in the real scenario, companies fail to realize that CSR has a wide scope and it is should not only be restricted to education sector. The researcher recommends the following suggestions:

- Periodic review of the CSR activities should be done by every business firm in order to identify whether the execution has been done according to the plan or not.
- Innovation should essentially be a matter of concern; be it finding new avenues of contribution to the social responsibility or any step to be taken regarding the implementation of the policies stated by the government.
- Government should also make a separate department for CSR activities and that department will be whole sole responsible for the complete planning and execution of these activities.
- The reporting of CSR's contribution should be well defined and concrete stating all the various avenues where the company has spent money for social responsibilities.

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