

Corporate Social Responsibility: A retrospective and the way forward



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The concept of “Corporate Social Responsibility (CSR)” is not new in India and globally as well; further, it has been almost three years since this has been legally inbuilt in our system. The term ‘CSR’ is also widely known as corporate responsibility, sustainable responsible business (SRB) and corporate social performance among others. This is a form of corporate self-regulation, assimilated into one’s business model. The fundamental intent of bringing this concept into the inherent responsibilities of business is to impact the society positively together with creating the shared value for the shareholders, stakeholders and even employees.

To reveal the significance of CSR in today’s era and further understand whether its promulgation is worth the outcome or not, this article unfolds some of the key aspects related to CSR.

Need for CSR in India

Today, CSR as a stratagem of a business is becoming progressively imperative for India because of some of the distinguishable trends. For instance, the expectations of the consumers and the society at large are increased with time, wherein they expect more from the companies beyond buying their products. Further, in developed nations as well as in some of the developing nations, consumers can afford to choose the items/ services they get from the companies, depending upon their overall standing in the society. Therefore, to fulfil the expectations of these customers, society at large and to meet the regulatory requirements in India, it has become a social/constructive obligation for corporates in India to contribute to CSR initiatives.

Regulatory Provisions

The Companies Act, 2013 (Section 135) together with the Companies (CSR Policy) Rules, 2014 defines the regulatory boundary around the CSR norms in India. In brief, a quick snapshot of CSR provisions as per these regulations is as follows:

- **Compliance mandate:**

Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more during any financial year shall constitute a CSR Committee of the Board. The Board of every company, shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

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- **Disclosure obligation**

- Composition of the CSR Committee in the Board's Report;
- Contents of the CSR policy in the Board's Report;
- Reasons for not spending the amount in the Board's Report;
- Treatment of surplus arising from CSR projects in CSR policy.
- Details of the monitoring framework in the CSR policy;

Consequences of Non- Compliances

There is no specific penalty with respect to non-compliance of CSR provisions under the Companies Act, 2013. It is basically a contribute or disclose section. However, penalties can be levied under section 134 (8) for not providing the relevant information about its CSR policy and its implementation on an annual basis as per section 134 (o) in the board report of the company. The government is thinking in terms of revisiting the exiting position and levy specific penalties for non-compliance of CSR compelling for more corporate compliance.

Benefit from CSR

The outcome of the CSR contribution for any business varies depending on several factors including the nature of operations of the company, the CSR initiative chosen, the amount contributed, among others. Following are some of the benefits which can be claimed to be the business cases for CSR contribution for a company:

Separate identity

A focused CSR effort takes a corporate on the new height of recognition based on distinctive principled standards. When everyone in the congested market places are endeavouring for an exclusive selling proposition, it is a good CSR initiative that can help a business to separate from its competitors.

Reputation building

It takes years and years for corporates for reputation building, which can go away with a slight blunder on their part. Therefore, managing risk is the pivot of the corporate strategies. CSR initiatives stems out from the elementary reputation and risk management strategies of a company. Well achieved CSR objectives raise the bar for corporates to build stakeholder's confidence in them.

Talent retention

A CSR programme may be carried out as a tool for talent acquisition and retention, more specifically for the entry level students. Most of the times, the latent recruits are generally curious to know about a firm 's CSR policy at the time of interview. The trend setters might get a lead.

A footprint

By undertaking substantive voluntary measures on CSR, they can leave their footprints that they are cautious enough towards the environment, safety, health, diversity and as responsible corporate citizens.

Issues around CSR

On analysing the available reports, reanalysis done by other organisations and media reporting, there are a few key observations on the CSR practices in India.

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CSR

should not be mandate from the regulators. It should be built in the corporate culture in the form of an unwritten contract with the society which in turn can help making a brighter future of India.



These observations include lack of transparency in disclosures; which means, in some of the cases it was found that CSR policies are general in nature and do not prescribe the details of the projects carried out. Further, the year-end reporting as required under the CSR Rules is quite specific, requiring project wise details, project location, the amount allocated for each project and the amount spent etc. However, there seems to be no requirement for audit of this report. Furthermore, the entire CSR reporting substratum is based on inputs and not on outcomes, i.e. how much money has been allocated and how much spent. No reporting is currently required on what has been achieved from the projects.

CSR trends and possibilities in India

Currently, certain environmental factors such as absence of water or key materials is the crucial concern. Together with that some of the social factors such as liveable wages, human rights, child labour, women security, economic inequality working conditions are increasing the concerns in India.

The year 2017 has provided a chance for the corporates in India to align their energies around the global initiatives such as COP22. Further, agreed frameworks such as the Sustainable Development Goals (SDGs) (adopted by the United Nations General Assembly in 2015, the 17 SDGs, with their 169 associated targets, depict a plan of action to balance the three dimensions of sustainable development like economic, social, and environmental by the year 2030) have put more pressure on India.

Some of the others plans and schemes might attract/enforce Indian business to set aside their business profits for CSR initiatives. For example, Swachh Bharat Abhiyaan.

Global Practices

India is the only country that has made legislation for CSR spending. Though there are certain international bodies which provide broad guidelines, principles and frameworks with respect to the same; however, CSR practices vary from country to country. Moreover, it has been observed that these guidelines relate to the larger concept of business or sustainability responsibility rather than corporate social responsibility. In certain countries, although there is no regulatory requirement with respect to CSR, there are specialized teams which encourage for contributing towards the same as CSR team in the Bureau of Economic and Business Affairs. On the other hand, in certain countries, NGOs are setup which facilitates CSR for firms such as ETHOS institute which is a Brazilian NGO contributing to CSR initiatives which further provides employment opportunities in that place.

Concluding Remarks

CSR should not be mandate from the regulators. It should be built in the corporate culture in the form of an unwritten contract with the society which in turn can help making a brighter future of India. Corporates must comprehend that together with government's endeavour, to uplift the society, they must join hands and do good for the society. This would seed out from the self-commitment to do well for the community together with the societal obligation of business.

Further, our legislation needs to be further strengthened to incorporate adequate and stringent processes to ensure sufficient compliance and participation from corporates to fulfil the objectives of CSR for which it was brought in. ■