

Corporate Social Responsibility in India: with Special focus in North East India



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Abstract: Corporate Social Responsibility has become a mainstream global business strategy in recent years and a large number of firms in the world issue numerous activities as a part of it. India is one of the first among few countries in the world to have a CSR act and the first to bring about legislation to implement CSR activities. The Government of India has made two significant interventions in the field of CSR-- in 2010, it made compulsory for public as well as private enterprises to spend 2 to 5 percent of their net profit on CSR; and it amended the Companies Act, 1956 that made compulsory provision for CSR under Section 135 in 2013. In this context this article is an attempt to discuss the progress in CSR initiatives in India over the years.

Keywords: Corporate Social Responsibility (CSR), Legality, India, North East India

I. INTRODUCTION

Corporate Social Responsibility has become a mainstream global business strategy in recent years and a large number of firms in the world issue numerous activities as a part of CSR, contrary to the traditional view of profit maximization as the sole objective of a firm. (Lili Xu, 2018). Therefore, firms' strategic approaches to CSR have changed from being subtle, indirect, and behind-the-scenes to being more explicit, bold and innovative (Sun Young Lee, 2019). Moreover, the debate about CSR has shifted from "whether" to "how", and CSR-related issues have also been increasingly incorporated into the agenda of corporate decision-making process (Da-Chang Pai, 2015). That is why; the scholars and managers in recent years have given increasing attention to the strategic implications of CSR (Abigail McWilliams, 2016). India is one of the first among few countries in the world to have a dedicated CSR act and the first to bring about legislation to implement CSR activities. The Government of India has made two significant interventions in the field of CSR-- in 2010, India made compulsory for public as well as private enterprises to spend 2 to 5 percent of their net profit on CSR; and in 2013, India amended its Companies Act, 1956 that made mandatory provision for CSR under Section 135 (Satyajit Majumdar, 2016). With this background, the study is an attempt to investigate the progress of CSR in India and to look various aspects related to CSR in the context of India.

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The remaining parts of the article are organized as follows: conceptual framework is presented in the second section and theoretical and legal background is presented in the third section. Fourth section deals with data source and methodology followed by results and discussion in the fifth section. The paper ends with the conclusion of the study in the sixth and final section.

II. CONCEPTUAL FRAMEWORK

CSR can be referred to the idea under which companies need to invest in socially and environmentally relevant causes in order to interact and operate with concerned parties having a stake in the company's work (United Nations Industrial Development Organization or UNIDO). CSR is different and wider from acts of charities. The latter is meant to be a superficial action as part of business strategy while the former tries to address longstanding socio-economic and environmental issues (UNIDO). According to UNIDO, CSR can help developing countries to accelerate their socio-economic growth and help them to improve competitiveness. CSR also encourages private firms to allocate CSR funds in activities which are socially, economically and environmentally viable, and will help countries to attain Sustainable Development Goals in the long run (UNIDO). Moreover, McWilliams and Siegel (2001) as cited by (Abigail McWilliams, 2016) define CSR as a situation where the firms go beyond compliance and engage in activities that seem to promote social good, beyond the purview of the firm's interests which is required by law.

Therefore, CSR is a balancing act under which firms demonstrate their commitment to the well-being of society (Majumdar, 2016). CSR motivates firms to be ethically right by contributing to society through initiatives like engaging the members of the local community, using socially responsible investment, develop a harmonious relationship with employees as well as consumers; and involve in activities that will protect and sustain the environment. Thus CSR makes firms socially, economically and environmentally responsible.

III. THEORETICAL AND LEGAL BACKGROUND

A. Theoretical background

In his social approach to all human problems Mahatma Gandhi suggested the business and industry to conduct in the interest of the society, and he also wanted the businessmen to consider themselves as servants of society (G.K. Kapoor, 2017). According to Mahatma Gandhi, if a businessman looks upon himself as a servant of the society, then his earnings will be good and his venture will be constructive.



Thus, businessmen should earn and spend for the sake of society and run their business for the benefit of society as trustees of the society. This is the basis of the Trusteeship Theory of business (G.K. Kapoor, 2017). The Trusteeship Theory is supported by R. Edward Freeman's (2010) Stakeholder Theory, which says that business has an obligation to meet the expectations of other stakeholders besides shareholders (Heath & Norman, 2004). The theory further states that the corporate focus has shifted from shareholders' wealth maximization, to stakeholders' expectations including the society at large (G.K. Kapoor, 2017). The Stakeholder theory was further developed and extended by Donaldson and Preston (1995) by stressing the moral and ethical dimensions of CSR and the business case for engaging in such activities. Donaldson and Preston's (1995) view is based on the stewardship theory which emphasized a moral responsibility for managers to do the right thing, without regarding the fact that how such decisions affect the financial performance of the firm (Abigail McWilliams, 2016). Other theories that can be applied to CSR are institutional theory and classical economic theory (Jones, 1995). In line with these theories, the concept of CSR has evolved and received significant importance in recent years.

Against these theories, Levitt in his article 'The Dangers of Social Responsibility' set the agenda for the debate about the social responsibility of business, in which he warns the idea that 'government's job is not business, and business's job is not government' (Abigail McWilliams, 2016). He was supported by Milton Friedman (1970) and stated that the mere existence of CSR is a signal of an agency problem within the firm, which implies that CSR is a misuse of corporate resources that would be better spent on valued-added internal projects or returned to shareholders.

B. Legal Background:

CSR laws are intended to help in transferring excess capital from the haves to the have-nots via acts of charity. According to available data, CSR laws will help in increasing the amount of monetary contribution from \$600 million to \$2 billion annually. This will help firms and corporations to engage themselves in social, economic and environmental initiatives in order to help the common people. These initiatives will facilitate the corporates to have a direct stake in improving the society and provides an opportunity to change their role to facilitators of development from perceived exploiters of commerce. With this objective in mind, the Companies Act, 2013 which is the successor to the Companies Act, 1956; made CSR a compulsory act. Under Section 135 of the new act, CSR is compulsory for all companies, government or private or otherwise, if the net worth of the company is Rs. 500 crores or more or the annual turnover of the company is Rs. 1,000 crores or more or annual net profits of the company is at least Rs. 5 crores. A company meeting any one of these three criteria, has to create a committee to enforce its CSR mandate, with at least 3 directors, one of them should be an independent director (Companies Act, 2013). The provisions became applicable with effect from April 1, 2015 (G.K. Kapoor, 2017).

IV. DATA SOURCE AND METHODOLOGY

The study is an attempt to examine the overall performance of CSR in India. Therefore the data used for the study is entirely based on the macro-level data, which are collected from Ministry of Finance, Government of India. For the discussions, percentage, average, tables and graphs are used.

V. RESULTS AND DISCUSSION

Firms and corporations are free to decide their CSR policies as it is a voluntary exercise. They are also free to select the type of programs they would like to implement, and the amount of funds they would like to allocate toward CSR activities (G.K. Kapoor, 2017). The CSR initiatives vary in scope, strategies of implementation, and nature of organizing; the core objective is to generate the critical push for improvement in human development (Bino Paul GD, 2013). In this section, we are going to discuss the total expenditure allocated for CSR over the years since 2014, number of companies undertaking CSR, company-wise CSR spending, sector-wise CSR spending and will also discuss the amount of CSR spending in North Eastern part of India.

A. Total Expenditure in CSR

Figure 1 shows the total CSR expenditure over the years in India. As the data from Ministry of Finance (GoI) suggests, Rs. 9564.77 crores have been spent in 2014-15 then increases to Rs. 13,827.86 crores in 2015-16 and going down to Rs. 4,719 crores in 2016-17. Therefore, it is seen that in these initial years of making CSR mandatory, the amount spent is quite fluctuating over the years.

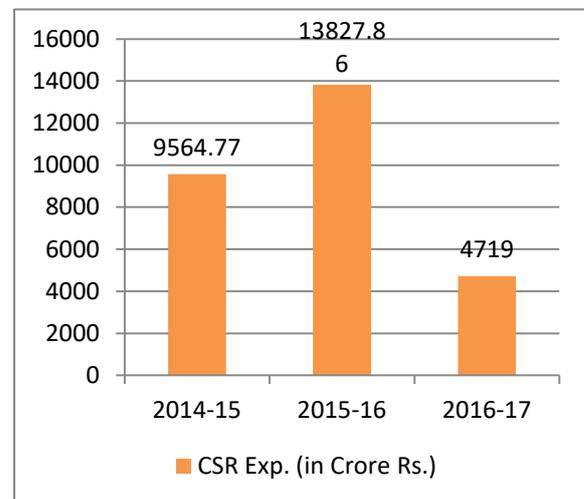


Figure 1: CSR Expenditure (in Crore Rs.)

Source: Ministry of Corporate Affairs

B. Number of Companies undertaking CSR:

As the latest data available for companies undertaking CSR activities, it is 7,334 companies/corporates (public as well as private) in 2014-15. But the number of companies or corporates undertaking CSR is going down to 5,097 in 2015-16 as shown in Figure 2.



Figure 2: No. of Companies/Corporates Undertaken CSR Activities in India

Source: Ministry of Corporate Affairs

C. Company/Corporate Wise CSR Spending:

Although there are 7334 companies that have undertaken CSR activities in 2014, we take only top 16 companies/corporates that spend the highest amount in CSR. The list tops by Reliance Industries Limited with Rs.760.6 crore in 2014-15 followed by ONGC (Rs. 495.2 crore),

Infosys (Rs. 239.5 crore), and ITC (Rs. 214.1 crore). TCS ranks fifth (Rs. 205.2 crore), followed by NTPC, NMDC, Tata steel, ICICI bank and Oil India Ltd. other to companies are Wipro, Axis bank, HDFC bank, IOCL, BHEL and Northern Coalfields. This is shown in Figure 3.

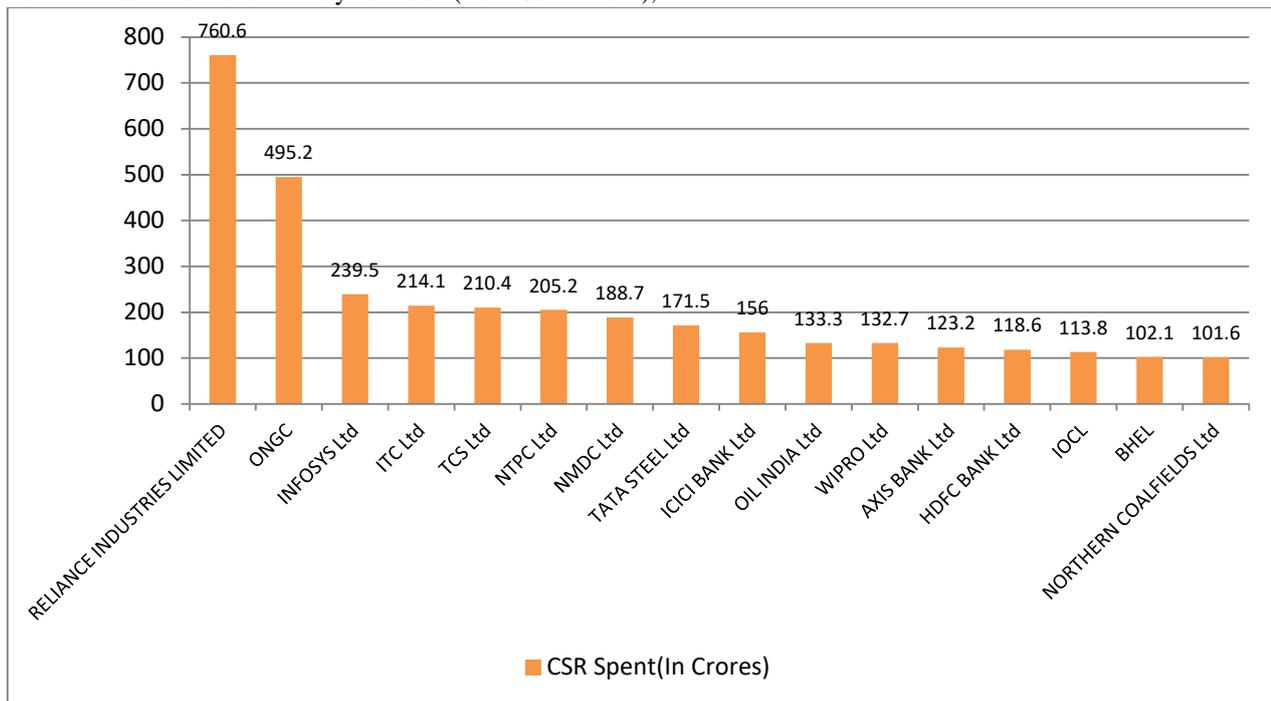


Figure 3: Top 16 CSR Spending Companies/Corporates in 2014-15 (in CroreRs.)

Source: Ministry of Corporate Affairs

Reliance industries (Rs. 652 crore) continued to be the largest contributor to CSR spending in 2015-16 as well followed by NTPC Ltd. (Rs. 491.8 crore), ONGC (Rs. 421 crore), and TCS (Rs. 294.2 crore). Other companies/corporates spending in CSR are Southern Coalfields Ltd., ITC, Central Coalfields, NMDC, Tata Steel, Infosys, Power Finance Corporation, HDFC,

ICICI, GAIL, Wipro and IOCL Ltd. Figure 4 shows the details of top 16 CSR spending companies in 2015-16.

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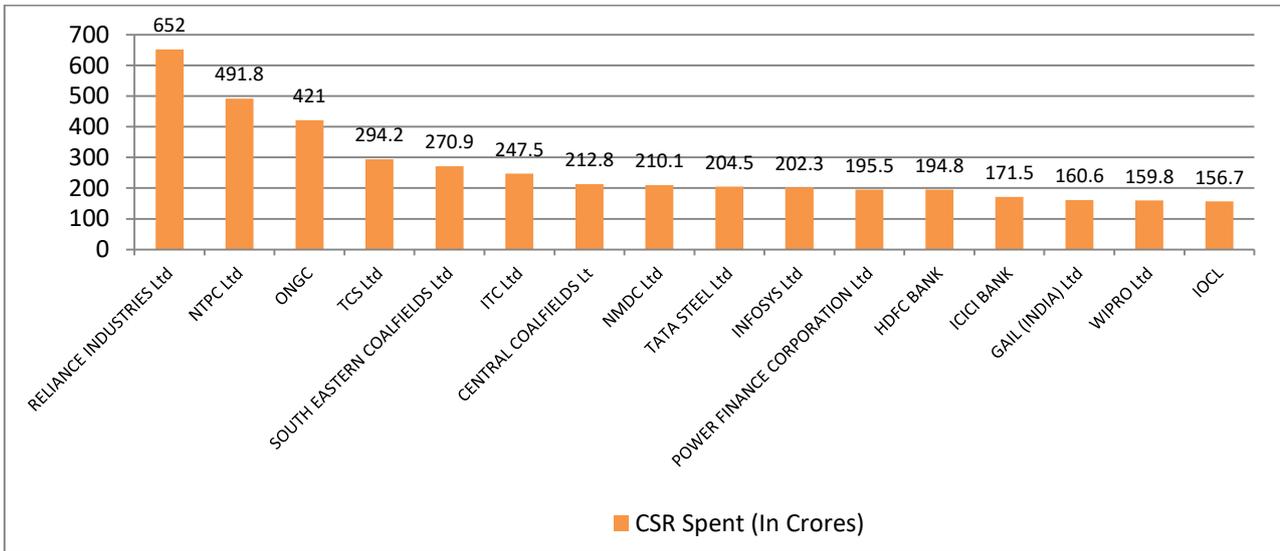


Figure 4: Top 16 CSR Spending Companies/Corporates in 2015-16

Source: Ministry of Corporate Affairs

D. Sector Wise CSR Spending:

The major areas for CSR interventions as stated in the Companies Act, 2013 are: poverty-alleviation programs including livelihood and skill training, health care, nutrition, water and sanitation, education and sports, ecology and environment, programs specifically designed to address the

needs of women, disabled and aged people, and marginalized groups of society for overall rural development (Satyajit Majumdar, 2016). In Table-I, we present the broad sectors where CSR is spent along with the amount allocated in 2015-16 during the year 2015-16

Table-I: Activity Wise CSR expenditure for the year 2015-2016 (in croreRs.)

S. No.	Activities	2015-2016
1	Health, Eradicating Hunger, Poverty and malnutrition, Safe drinking water and Sanitation	3,117
2	Education, Differently Abled, and Livelihood	3,073
3	Rural development	1,051
4	Environment, Animal Welfare, and Conservation of resources	923
5	Swachh Bharat Kosh	355
6	Any other Fund	262
7	Gender equality, Women empowerment, old age homes and reducing inequalities	213
8	Prime Minister's National Relief Fund	136
9	Encouraging Sports	95
10	Heritage Art and Culture	90
11	Slum area development	9
12	Clean Ganga Fund	3
13	Other Sectors	497

Source: Ministry of Corporate Affairs

Notes: other sectors include Technology Incubator and benefits to armed forces and admin overheads and others

E. CSR Spending in North East India:

Although the CSR spending in India is quite significant, the CSR expenditure in North Eastern region is negligible. In 2014-15, only 1.61% of total CSR spending in India are spent in the region. The percentage even goes below to 1.33% in 2015-16 and 1.24% in 2016-17. Among the eight North Eastern states, only Assam receives a significant amount of CSR spending. Other seven states receive

anegligible amount of CSR spending over the three years. Since the region is Backward and industrial investment is the least among other regions of India, more and more CSR intervention is suggested for the social-economic development of the region.

Table-II shows the state-wise and year-wise spending of CSR expenditure in the North-Eastern region of India and the Table-II also shows the percentage of CSR spending over the years in the region.

Table-II: CSR Expenditure in North Eastern States (in Lakh Rs.)

Sl.No	State/UT	2014-15	2015-16	2016-17
1	Arunachal Pradesh	11.03	1.49	7.98
2	Assam	133.07	166.81	38.28
3	Manipur	1.57	5.93	6.03
4	Meghalaya	3.52	3.86	2.99
5	Mizoram	1.03	1.08	0.08
6	Nagaland	1.11	0.95	0.45
7	Sikkim	1.03	1.9	2.12
8	Tripura	1.16	1.47	0.6
9	NE	153.52	183.49	58.53
10	% in NE	1.61	1.33	1.24
11	Grand Total	9564.77	13827.86	4719

Source: Ministry of Corporate Affairs

VI. CONCLUSION:

CSR initiative in India is in a nascent stage. The amount spent under CSR, number of companies undertaking CSR activities are fluctuating. As the companies/corporates have not got enough idea as well as time for CSR initiatives, hence the fluctuations. But the CSR initiatives are expected to improve the socio economic conditions of the people as seen from the areas of intervention which is also suggested by the companies Act, 2013. Moreover, there should be a regional balance with regard to the CSR spending (or imbalance in favor of the Backward region) so that the poor regions should receive more and more CSR spending for the uplift of socio-economic development of the people. We can conclude that CSR is understood as firms' policies and practices that go beyond legal requirements and impact different stakeholders. A basic belief is that if CSR policies and practices implement well then these can generate several benefits to firms (Sarah Desirée Schaefer, 2019).

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AUTHOR'S PROFILE



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