

**“Corporate Social Responsibility and Socio-Economic Development of India”***\*Dr. Kshitiz Maharshi**Assistant Professor**Department of Business Finance & Economics,  
Jai Narain Vyas (State) University, Jodhpur**\*\*Amit Sharma**Research Scholar**Department of Accounting,  
Jai Narain Vyas (State) University, Jodhpur**\*\*\*Swati Vashisth**Research Scholar**Department of Business Administration,  
Jai Narain Vyas (State) University, Jodhpur***Abstract**

Over the past few years concept of Corporate Social Responsibility (CSR) has gained much importance for large Indian Companies and its top management because it mainly deals with social and economical development of country. Many Companies in India are investing in CSR for achieving its goals such as increasing shareholders wealth, increasing revenue from operations, sustainable growth and fulfill requirements of law. All major companies decided to give its full support to Government of India for social and economical development of country by way of welcome the provision of Corporate Social Responsibility u/s 135 of Companies Act, 2013. CSR is the way of doing business by which companies can contribute in social development of community as whole in country.

The main aim of present research paper is to highlight the concept of CSR, development of CSR practices in India, identify the compliance requirement and ethics followed by many reputed companies in India etc.

**Keywords:** Corporate Social Responsibility, Ethics, CSR Practices, Compliance, Sustainable, Stakeholders

**Introduction**

CSR is an initiative taken by companies to protect and promote the interest of stakeholders and society. Social responsible companies are using the concept of CSR to achieve economical, environmental and social objectives by performing business in ethical way. CSR is the way of doing business by which companies can contribute in social and economical development of country.

Definition of CSR under Rule 2 is as under:

It includes

- Projects specified in Schedule VII of the Companies Act,2013 or
- Projects chosen by BoD on recommendation by CSR Committee.

### **Review of Literature**

The review of literature is conducted with an intention to explore the body of work already undertaken in the respective fields. In this field also various studies have been carried by various researchers. The reviews of some of the studies are discussed below:

- a. Windsor in his article in 2001 states the relationship of CSR of business with society in long run period and he also focused on future of Corporate Social Responsibility.
- b. Paper published by Moon in 2004 also revealed the role of government in implementation of CSR activities and it also focus on various drivers of CSR which is related with business and society.
- c. In a case study conducted by Shah and Bhaskar in 2010 relating to PSU (i.e. BPCL), they states that there is relation between organization and society as both were dependent on each other for their needs.
- d. In an article presented by Bibhu Prasad in 2012, he states that many corporate houses are using the mode of CSR for fulfilling their requirement of law and achieving increased value of shareholders money.
- e. Rani and Hooda in 2013 in their research study focus that the aim of government CSR provision is to build integrity between business organizations and society for its welfare and economic development.

### **Aims and Objectives**

The aims and objectives of present study are as follows:

1. To understand concept of CSR and its development in India.
2. To understand the rules, regulation and policies relating to CSR Norms.
3. To identify compliance requirements of CSR under Companies Act 2013 by Indian Companies.
4. To analyze and interpret the CSR initiatives taken by Indian Companies.
5. To study issues and challenges faced by companies for CSR Requirement.

## **Problems of Study**

Following are the major problem areas of study:

1. There is lack of knowledge and awareness among public regarding CSR activities of Companies.
2. There is lack participation by stakeholders in CSR implementation.
3. There is lack of transparency and non disclosures on part of companies.
4. There is lack of support from local agencies while implementing CSR activities.
5. Clear guidelines and regulations are not still issued by government.

## **Hypotheses of Study**

The core hypotheses of study are as follows:

Hypothesis 1:

CSR has no significant impact on companies Return on Investment (ROI).

Hypothesis 2:

There is correlation between CSR activities and Turnover or Net worth of Companies.

## **Statutory Provisions of Companies Act, 2013 u/s 135 relating to CSR**

In India, Companies Act, 2013 has statutory provisions which recognize the concept of CRS. Section 135 of Companies Act, 2013 r/w Schedule VII and Companies Rules are the relevant provision which imposes mandatory CSR obligations.

Applicability: CSR is applicable on following classes of companies:

Company which fulfill following conditions during the immediately previous financial year :

- net worth of Rs 500 crore or more or
- turnover of Rs 1000 crore or more or
- net profit of Rs 5 crore or more

Then it shall constitute a Corporate Social Responsibility Committee of the Board which consists from 3 or more directors ( out of which at least one director shall be the independent director).

Duties of CSR Committee:

CSR committee is required to perform following functions:

- Formulation and Recommendation of CSR Policy
- Expenditure incurred on CSR activities

- Monitor and Review of CSR Policies of corporate houses
- Implementation of CSR projects and activities as per schedule VII.

#### Duties of Board:

- To approve the CSR policy of company
- To ensure that activities which are included in CSR Policy are actually being performed by the company
- The Board shall check and satisfied themselves that the company spends at least 2% of its average net profit of immediately 3 previous financial years according to its CSR Policy. For the purpose of calculating such Net Profit provisions of section 198 of Companies Act, 2013 shall be followed by company.

#### CSR Activities specified under Schedule VII:

- a. Eradication of Poverty, Hunger, Malnutrition, Health Care and Sanitation.
- b. Promoting Education among children's, women's, elder people etc.
- c. Promoting gender equality and women empowerment, orphans , day care etc
- d. Promoting of environmental sustainable, ecology of society, plantations, trees, natural resources etc.
- e. Protection of national heritage, art, culture, tradition etc.
- f. Promoting armed forces, widows of soldiers died in wars and their dependent family members.
- g. Promoting sports in rural, in Paralympics, Olympic etc.
- h. Rural area and slum development area projects.

#### Following activities are not amounting to Corporate Social Responsibility:

- The CSR activities which are performed outside India.
- The CSR activities which will benefits the employees of the organization and families of such employees.
- The CSR activities which are performed in normal course of companies own business.
- Contribution of any amount to any political party's u/s 182 of Companies Act, 2013.

#### Manner of implementing CSR Policy:

Rule 4 of Companies (CSR Policy) Rules, 2014 makes following provision regarding manner of implementing CSR Policy

- The CSR Projects and Programs and activities undertaken by company must be specified in its CSR Policy.

- CSR activities must be performed and implemented through a registered trust or society.
- A company may collaborate with other companies for undertaking CSR activities or programs or projects.

### Accounting for CSR Transactions

CSR is item of Statement of Profit and Loss A/c and as per schedule III it must be disclosed by way of notes to Statement of Profit and Loss. Following accounting entries are passed in books of company regarding CSR expenditure:

S.No.	Paritculars	Dr. (Rs)	Cr (Rs)
1.	Cash expenditure incurred  CSR Expenditure A/c Dr. To Cash/ Bank A/c (Being amount incurred )		
2.	Amount transferred to Statement of Profit and Loss  Statement of Profit and Loss A/c Dr. To CSR Expenditure A/c (Being amount transferred)		

### CSR Expenditure in Income Tax Scenario

Following are the provisions regarding deduction or non deduction of CSR Expenditure in Income Tax Act, 1962

- When CSR expenditure is not relating to business of company then it shall not be allowed as deduction while calculating taxable profit under business head.
- When nature of CSR expenditure is relating to section 30 to 36 then it shall be allowed as deduction while calculating taxable profit under business head.

### CSR Reporting

Company should present and disclose its CSR expenditure in its financial statements in following manner:

- According to general instruction for preparation and presentation of financial statements in accordance with schedule III of Companies Act, 2013, expenditure on CSR shall be separately disclosed in Statement of Profit and Loss
- Various heads of expenditure included in CSR expenditure must be disclosed in relevant notes to accounts.
- Notes to Accounts of financial statements should also contain information regarding opening balance, amount spends, amount not spends and closing balance.
- Details of Related party transactions must be disclosed.

### Research Design and Methodology

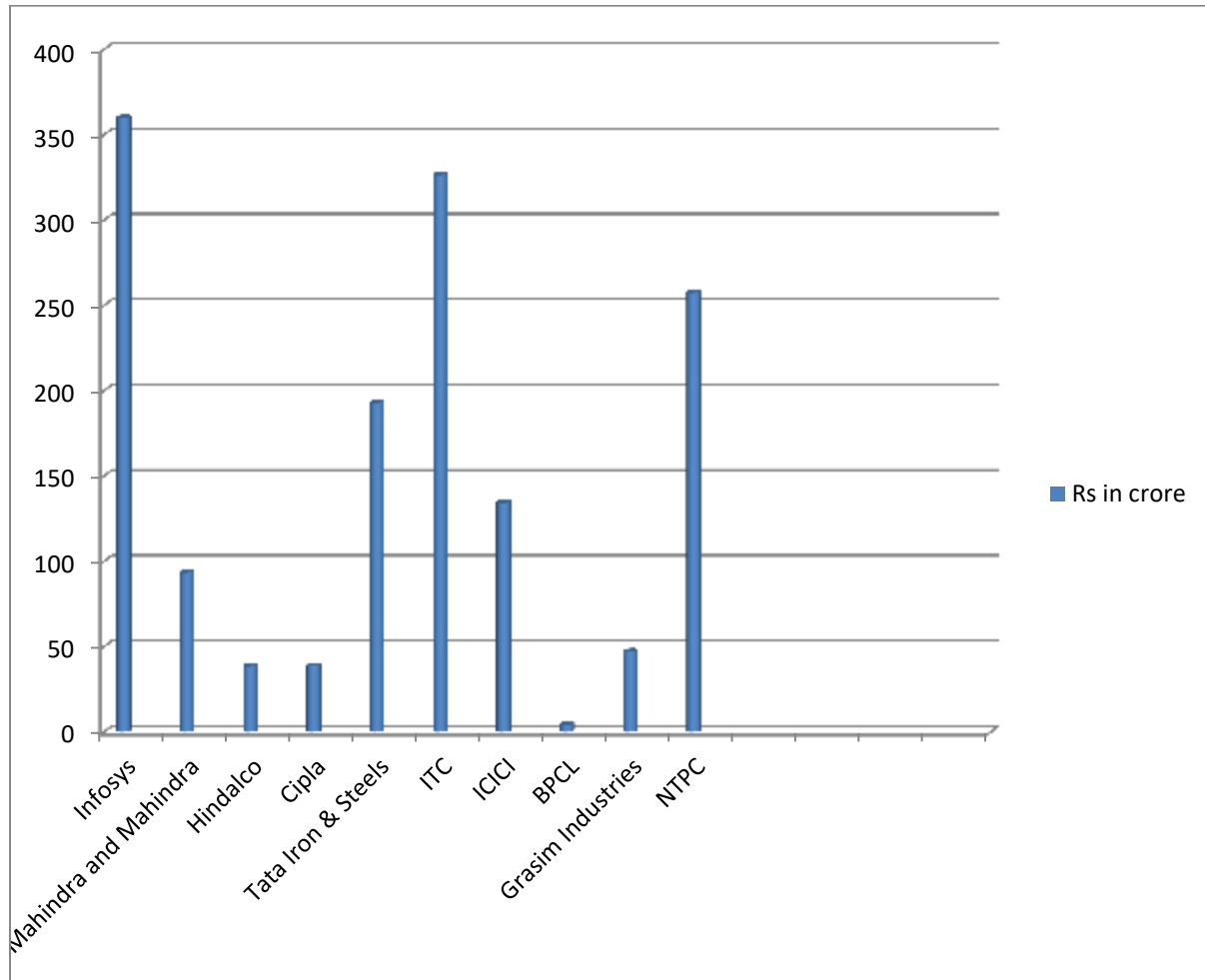
For the purpose of study, relevant data is collected from secondary sources such as magazines, journals, Annual Reports and Financial Statements of Companies, Past Study, reports, websites etc. The researcher will use the tools and techniques according to the need and type of the study. Data is analyzed on basis of tabular presentation, diagrammatic and graphical presentation.

CSR areas for social-economical development of some selected companies in India

S.No.	Name of Company	Sector	Area for development	Method used	Amount spend in FY 2019-20 (Rs in Crore)
1	Infosys	Information Technology	Support weaker and disadvantages sections of society	Provide Medical and Educational facilities in rural areas	Rs 360 crore
2	Mahindra & Mahindra	Automobile	It promotes primary education in India	Opening of Colleges and provide free education to girl Childs	Rs 93.50 crore
3	Hindalco	Manufacturer	Engaged in Poverty Alleviation	Use of Poverty Alleviation Programs at Rural and Backward Areas	Rs 38.53 crore
4	Cipla	Pharmaceutical	Medical Help to society	Cipla Foundation Trust and Cipla Cancer Center	Rs 38.70 crore
5	Tata Iron & Steels	Engineering (Iron)	Improves quality of life of Society	Employment Generation,	Rs 193 crore

				Education and Health	
6	ITC	FMCG	Greening of Land, Assistance to Farmers	By way of e-chopal and social forestry	Rs 326.49 crore
7	ICICI	Financial and Banking	Help weaker and poor persons of country	By of direct help and giving information	Rs 134.35
8	BPCL	Petroleum and Chemicals	Development of Society and Community	By way of Health, Education and Infrastructure facilities	Rs 4.27 crore
9	Grasim Industries	Textiles	Social and economical development of country	By way of Education, Health, Livelihood and Employment	Rs 47.14 crore
10	NTPC	Power	Gender Equality, Rehabilitation Policy, Paternity Leave	By way of creating Global Compact Society	Rs 257.50 crore

(Source: Global Business and Management Research Journal)



The above data clearly indicates that Infosys Company is contributing very huge amount of its earning of Rs 360 crore on CSR activities then after comes ITC and NTPC. TISCO and ICICI Bank are making lower contribution as compared to Infosys, ITC, NTPC. Hindalco, Cipla and BPCL contribution is lower as compared to other companies.

But all of above 10 companies are contributing directly or indirectly in socio-economic development of India by way of providing services to weaker sections in fields of Education, Medical, Health, Infrastructure and Employment generation etc. Hence we can say that nearly all companies on which CSR provision is applicable are trying their best to contribute in development of country.

In the year 2007-08, the survey was conducted by Karmyog on 500 Indian companies engaged in CSR activities, it provides rating on 0 to 5 points which is based on criteria of companies

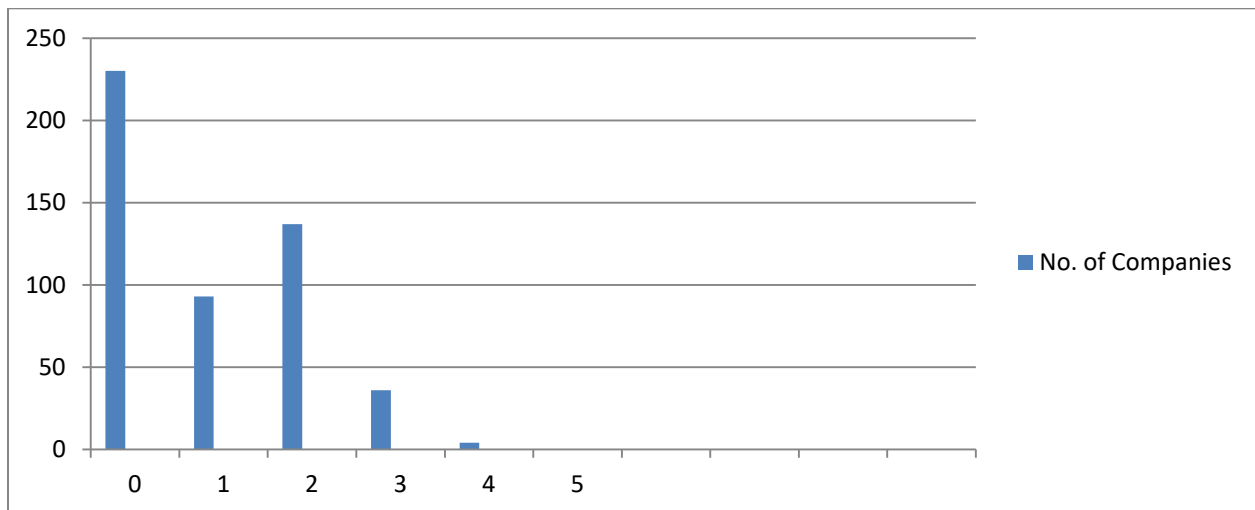
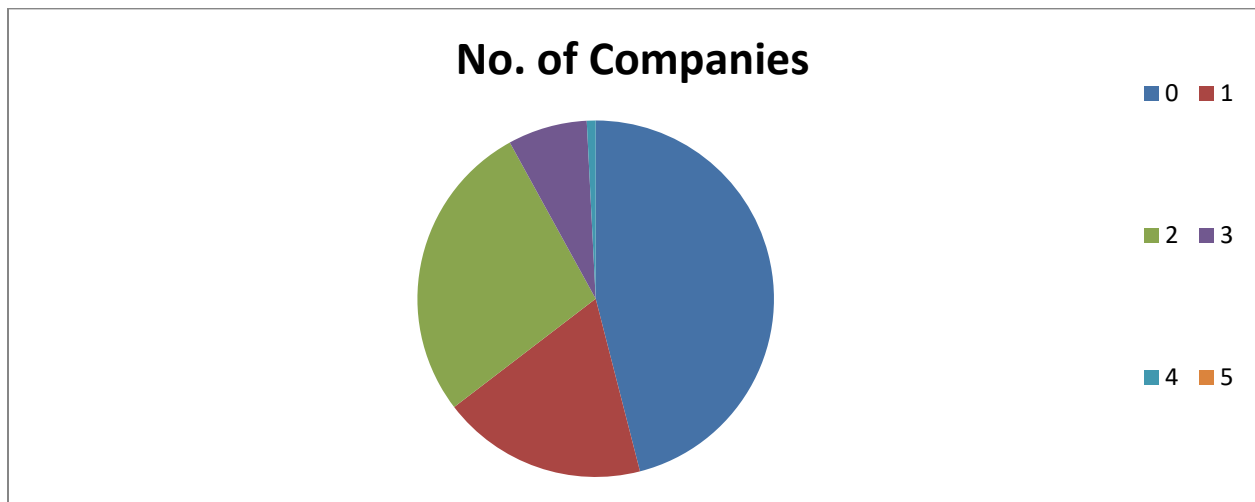


product, services, amount spend in CSR activity, area of development etc. Its results are depicted in following table:

CSR Rating	No. of Companies	% of Rating
0	230	46%
1	93	18%
2	137	28%
3	36	7%
4	4	1%
5	0	0%
<b>Total</b>	<b>500</b>	<b>100%</b>

(Source: Karmyog's Survey in 2007-08)

Pie Diagram and Bar Diagram



Observation of above data:

The above table reveals that nearly 46% companies in India got 0 rating and they are not making reporting on CSR activities.

18 % companies got 1 rating points and 28 % companies got 2 rating points out of 5 points. It also shows that its reporting on CSR activities is not satisfactory.

7 % companies got 3 rating points and 1 % companies got 4 rating points out of 5 points. It mainly reports on total amount spend on CSR projects relating to social welfare of country.

### **Conclusion**

CSR regulation made it mandatory for company to take active participation in development of society and its welfare. Due to CSR activities image of companies are increased in eyes of public and it ultimately helped all companies to achieve its social goals of business along with their profit activities. All companies should prepare themselves to handle various issue and challenges of CSR while implementing CSR activities. It also required that public and local agencies must support companies in fulfilling their CSR obligation for purpose of achieving its positive results and benefits.

### **Suggestions**

CSR is very important provision which is mainly related with socio-economic development of country and following suggestion should be kept in mind before implementation of CSR activities:

1. Awareness must be created among public for CSR programs of Companies.
2. Company should spend its amount of CSR activities in backward area rather than developed areas.
3. Training must be provided to business manager for handling of issues and challenges while implementation of CSR activities.
4. PPP model should be developed for better control, supervision and review of progress of CSR activities.
5. Cooperation must be established between SME sector and NGO for successful results from CSR initiatives.

## References

1. C. V. Baxi, Ajit Prasad, Corporate Social Responsibility: Concepts and Cases: The Indian Experience, Excel Books India, 2009
2. Corporate Social Responsibility (CSR) in India- a Report from Article 13
3. Basu, D., Devarani, L. (2008), "Corporate Social Responsibility - Some Basic Dimensions" Natural Resources Systems Program Publication
4. [www.mca.co.gov.in](http://www.mca.co.gov.in)
5. Companies Act, 2013 and Relevant Notifications