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CORPORATE SOCIAL RESPONSIBILITY PRACTICES OF SELECTED INDUSTRIAL UNITS IN WESTERN MAHARASHTRA-EMERGING ISSUES AND CHALLENGES

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ABSTRACT:-

India one of the largest economies of the world and an important global business hub is in the midst of myriad problems. With large portion of the population under absolute poverty, undernourished children, widening gaps between the haves and have nots, is causing disparity



among the economic classes of India.

To achieve sustainable development and grow as one of the power hub, the role of the government and corporate sector is more pronounced than before. The role of the corporate sector is more imperative as it has been the target of uneven economic

development. While many companies have responded proactively to this need of the hour and have had initiatives in place for more than decade now, the benefits of which have are reaped not only the companies but also the stakeholders.

The CSR clause within the company's act 2013 have brought more than 6000 companies Indian Companies to take up CSR initiatives to comply with the new provisions. Companies with minimum net profit of 5 crores now fall within the ambit of CSR fold. The act encourages companies to spend at least 2% of their average net profits in the previous three years.

This discussion paper looks at the CSR practices of the select units in Satara and Kolhapur districts in western Maharashtra registered under the companies act of 1956. The case also throws light on the challenges faced by new companies that now come under the new provision of the Companies Act of 2013.

KEYWORDS: Companies Act 2013, CSR Best Practices, Satara, Kolhapur.

INTRODUCTION :

Corporate social responsibilities have become an agenda after the amendment in the company's act 2013. Companies with minimum net profit of 5 crores fall within the ambit of CSR fold. The act encourages companies to spend at least 2% of their average net profits in the previous three years, Companies that register a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, will spend at least 2% of its average net profit corporate social responsibility activities. The requirement should be for the immediately preceding three financial years on corporate social responsibility.

The act suggests the following¹

1. The CSR activities should not be in the normal course of business.

2. The Schedule VII of the 2013 Act. Provides a list of activities.
3. For the purpose of CSR formulation and monitoring, a committee needs to be formed.
4. The act provides a modus operand under which the activities can be carried through
Registered trust or society. For this purpose, the company should specific in detail the proposed activities, modalities for funds utilization and monitoring mechanism.
5. Companies can also collaborate with each other for jointly undertaking CSR activities, provided that each of the companies are able individually report on such projects.
6. The report of the Board of Directors attached to the financial statements of the Company would also need to include an annual report
7. Where a company has a website, the CSR policy of the company would need to be disclosed on such website.

The activities to be undertaken by a company to fulfil its CSR obligations include eliminating hunger, poverty and malnutrition, promoting preventive healthcare, encouraging education and encouraging gender equality, setting up homes for women, orphans and the senior citizens, ensuring environmental sustainability and ecological balance, animal welfare, safe guard of national heritage and art and culture, activities for the benefit of armed forces veterans, war widows and their dependents, are the few activities to name. (Bahl, 2014)

CSR AND INDIA

CSR is not new to India, the concept of CSR dates back to the ancient time when kings believed in the welfare of their people as their most important responsibility. Traditionally CSR been seen as a philanthropic activity, an activity that was performed but not reflected in documentation of specific initiatives undertaken. Anything that goes without documentation may not be considered as serious business activity and so is the case with SME.

Corporate sustainability, an approach to create a long-term stakeholder value, is derived from the concept of sustainable development. As defined Brundtland Commission as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” is the very essence of CSR. Corporate sustainability essentially denotes the role that companies should play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship.

CSR by Indian SME tends to focus on what is to be done with profits after they are earned. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, in the strategies to earn profits are made. This approach of CSR and Sustainability by SME should be an important component of business.

CSR and sustainability are converging, the various definitions of CSR put forth by global organisations is evident to the fact. CSR clause within the Companies Act, 2013 also talks about stakeholders and integrating it with the social, environmental and economic objectives. The clause also lays down the area SME in India are actively involved in CSR activities, they recognised their responsibilities towards the employees, communities and the society. However, their initiatives are confined to the liberal CSR model. Under the liberal model corporate social; responsibilities are confined to its economic bottom line. SME, because of their limited scope, 80% of the respondents believe that it is sufficient to obey law and generate wealth which through taxation can be directed to the social needs of the country. Welfare and wellbeing of the employees is an integral part of the business which cannot be challenged if the competitive advantage is to be sustained.

However, with triple bottom line concept is fast picking up. Companies have realised that with growing economies profits, business also have certain societal roles to play. Inclusion of people and planet along with profits is the new mantra for sustainable business model. A model of business sustainability which is imperative for SME also.

Discussion with SME in western Maharashtra India, highlighted that the provision of the act and the triple bottom concept was in conflict of interest of the SME, while the act provides a list of CSR initiatives that they are required to follow, management of the SME want to integrate CSR activities and business processes

contributing to the environment, safety and welfare of the people in their vicinity.

SME and CSR

SME, In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

- 1. Manufacturing Enterprises-**he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.
- 2. Service Enterprises:-**The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.(GOVT. OF INDIA DEVELOPMENT COMMISSIONER (MSME) MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES, 2017)

DATA DISCUSSION

Out of the total companies approached for survey, in western Maharashtra, 64% companies have net profit of Rs 5 crore or more. And 36% with a net profit with 500 crores above. This implies that these companies will now according to the new provision will come under the ambit of Act.

The new provision in the act requires the companies that fall in the CSR ambit to maintain documents related to the CSR policy, initiative undertaken. The researcher made an attempt to find if the companies maintained such documents before it was made compulsory. It was found that 60% of the companies do maintain documents while 40% of the respondents do not maintain any documents and do have a CSR policy in place. However, these 40% companies did undertake CSR activities in a random manner, donations to NGO or contribution to the PM relief fund were the chosen option. With introduction of the new provision, companies have now started working on their CSR policy.

Less than 62% of the companies, publish their data and initiatives on the webpage of the companies. The respondents believed that the need to do so was not important, however with the change in the provision the need was felt and companies have begun to work on the same.

Some CSR Initiatives undertaken by the Companies

The initiatives undertaken by companies in this region are

1. Providing Nutritious Food to Aganwadis
2. Mid meal program in schools
3. Contribution to housing schemes for poor section of the society
4. Conducting medical camps such free health checkup etc
5. Organization of blood donation camps etc.

Most all companies prefer to invest in health checks and education, recognizing the importance of education and health care.

CHALLENGES

Discussions with companies also highlighted that they faced many challenges.

1.Lack of Community Participation in CSR Activities:

SME with their limited coverage fail to build a connect with the communities who are the beneficiaries of a CSR program, SME show less interest in implementing the initiative without talking the local community into consideration. This gap fails to develop relations and instil confidence in the local communities which has affected their participation and contribution.

2 Need to Build Local Capacities

Constituting a CSR community for formulation and implementation of policy is welcoming step, it was found that this was not enough, there is need to build capacities with trained and knowledgeable personnel which can identify and implement policies successful, the act also provides window to resolve this issue. Company can come together and take up activities in joint efforts.

3. Issues of Transparency

Most of the SME in western India do have a policy for CSR in place but have never disclosed the initiatives and its success rate. SME are of the opinion, that maintaining document and disclosing the initiative in the annual report and on the website, is the need of the hour, but companies will have to create a separate department of full time employees or will have create a trust.

The challenges from the point of view of the SME, may hold ground for initial few years but are more of the owners and management attitude and perception towards CSR and their role towards the society. Voluntary execution of the initiatives is at the wish of the company, but the implementation of the act is to ensure development of society, role of the corporate sector large and small is imperative specially at the grassroots level.

CONCLUSION

The provision of the act is welcoming step to include companies in CSR activities. The widening scope of the act will ensure large quantum of activities undertaken. The research also identified certain gaps, there is no linkage between the company business and society. Companies carry out CSR activities but there is no proper streamline between the activities and provision of the act.

The success of Corporate social strategy lies in the clear understanding of important social need and organization’s proficiency to effectively address the need and to create value by effective implementation of well planned strategy.

The author suggests a conceptual model that focuses on dual objectives, meet the requirements of the new provision and sustainable development. The author proposes three drivers to a CSR strategy to create tangible value.

- a) Core business expertices
- b) Employee engagement
- c) Ecosystem that includes all the stakeholders



The model addresses the issues and challenges that new companies that have come under the ambit of

the new provision of the act.

It provides a platform which suggest to involve all the stakeholders in need identification, implementation and development benefits for the society and organization itself. There is need to involve every employee in the need identification for CSR. It is proposed that the success of any initiative lies in the right identification of a issue which requires immediate attention, members of the society and the employees how are directly affected by such issues play an major role in such identification. Involvement of the community members and employee at the primary stage of planning itself will encourage maximum participation from the affected stakeholders. The implementation of such initiatives should be then done through community councils having representative from the company and community.

The key outcome of such collaborative mechanisms will ensure to address issues like lack of stakeholder's initiatives. some of the key outcomes identified are

1. Societal development
2. Sustainable development
3. Harmonious relations
4. Employee engagement
5. Branding and strategic visibility
6. Networking and collaborative

This model will be a win win proposition for all the stakeholders.

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¹ FAQ with regards to CSR under section 135 of the companiesAct,2013