

# A Review of Public and Private Sector Corporate Social Responsibility (CSR) Practices in India and Present State of Affairs

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**Abstract -** The present paper is an attempt with a view to include the stage wise expansion of CSR notion and its diverse practices in India. The paper reviews the papers published in the domain of CSR to highlight the emergent need of structured and monitored CSR in India. The review has been done to make clear and gain comprehensive understanding about the CSR practices of public and private business organizations in India. The paper recommends that attention need to be paid on a mechanism which looks after the distribution of benefits to all needy ones in a rational manner. It is evident that there is a huge gap in targets and spending. Some companies make CSR expenditure as per their wish and will. There is also lack of expertise in which corporates do their CSR activities. At the same time, the lack of professional NGOs dealing implementation of CSR in India is also evident.

**Keywords –** CSR, Public sector, Private Sector.

## I. INTRODUCTION

Corporate social responsibility (CSR) is conventionally seen as a voluntary activity by firms that intend to put together legitimacy and social wealth through actions that sustain the welfare of their stakeholders and the environment [1, 2]. However, in recent years the notion of CSR has been given a more macro-economic underlying principle associated with sustainable development goals of a country [3]. The governments are more and more of the observation that swiftly prospering firms need to be element of the answer to their countries' economic and social confront [4].

CSR in India as we see today has come long way from Philanthropic act in society to a legally mandatory act by way of formal focus on CSR. This started in India with the issuance of the CSR Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs that culminated in the enactment of Section 135 of the MCA, 2013 [6]. This ensured making CSR spending as well as CSR disclosure mandatory for specific types of companies.

In ancient India the CSR was in the form of religious actions. The deeds and actions of social good were triggered by philosophy of humanities preached in all Indian religions. Nowadays in the era of rapid industrialization, the big industrial families used to do larger public good by donations, facilities creation for public use such as rest rooms, dispensaries, education and schools. CSR has

transformed the role of doing business in the society. Nowadays the business forms are well aware of their social duties. Across the globe, a variety of scholars and institutions have already going ahead to look at the manifold aspects of this idea both theoretically as well as empirically. Formalizing CSR for a business builds on the viewpoint of several stakeholders. The essential understanding of widening the accountability of business from shareholder viewpoint to its all stakeholder approach leads company to participate in diverse roles for its different players. However, the major challenge is of offering a globally accepted definition of actions to be described as socially responsible behavior.

## II. ROLE OF CSR IN INDIAN CONTEXT

The CSR in India is governed by Section 135 of the Companies Act, 2013. The Act was passed by both the Houses of Parliament of India in 2013. It received the assent of the President of India on 29 August 2013. The provisions under Section 135 of the Act are applicable to all companies which have an annual turnover of Rupees 1,000 crore and more, or a net worth of Rupees 500 crore and more, or a net profit of Rupees 5 crore and more. The new rules, which were made applicable from the year 2014-15 onwards, require the companies to set-up a CSR Committee consisting of their board members including at least one independent Director.

In countries like India which are developing economy, the role of CSR becomes very important and complementary to

nation progress. It is not possible for government to reach out all and there the role of CSR steps in. CSR actions can help poor and needy and address to sustainable development. Section 135 of the Companies Act 2013 (MCA, 2013) makes CSR spending as well as CSR disclosure mandatory for specific types of companies. Ministry of Corporate Affairs vide its Notification dated 27th February, 2014 (which shall come into force with effect from 1st April, 2014) has come up with the modified Schedule VII which covers wide range of activities which can be undertaken by the Companies as a part of their CSR initiatives.

### III. VARIOUS CSR INITIATIVES FROM INDIAN COMPANIES

CSR in emerging market economies like Brazil, India, and South Africa have been found to be quite comparable to that in developed economies [6]. The information in the Table 1 below testifies the fact that, at present, there is increasing realization among Indian companies and their stake-holders about the need to shoulder a certain extent of responsibility towards societal obligations. To fulfill these obligations, the Indian businesses seem to be willing to allocate resources and make managerial efforts for CSR activities, going beyond the primary task of satisfying the goal of maximizing returns for their shareholders' risks and investments.

Whether this is prompted by voluntary ethical and moral considerations, or whether it is the outcome of a conviction that business could be successful in the long-term only if it contributes to the greater needs of the society than the supplying of goods and services, is a question which could perhaps not be answered immediately with the available data and information.

Table 2. Various CSR Initiatives

Issue	Company	Action
Health	Larsen & Toubro	One of the first to initiate an HIV/AIDS program
Labour Standards	ITC	First Company in India to be certified with "SAB8000 social accountability standard" for its Chirala facility
Corporate Giving	Indian Oil Corporation	Earmark 0.75% of net profit to initiatives in community development
Community Development	Hindalco	Its Integrated Rural Poverty Alleviation program received Asian CSR Award
Gender Equality	NTPC	One of the few organizations to adopt a policy for granting paternity leave
Disclosure	Tata Steel	First Indian company to publish a sustainability report in the line with Global Reporting Initiative guidelines
Energy Conservation	Reliance	Energy conservation measures are saving the company 1150

		million Rupees per annum
Human Capital	Infosys	Pioneering evaluation of human capital using an education index for its employees
Environmental Management	BHEL	All BHEL units are certified to ISO 14001 environment management system
Water conservation	Hindustan Sanitaryware	Reduced flushing WCs is estimated to save 2 billion liters of water
Employment Opportunity	Sakthi Masala	TERI CSR Award for offering employment opportunities to disabled and establishing rehabilitation center for the needy
Health Care Services	Usha Martin Ltd.	TERI CSR Award for providing health care services to women and children
Health and Safety	Vedanta Aluminium Limited (VAL)	International Safety Award by British Safety Council, London, one of the world's leading Health and Safety organizations
Rural Development	HLL	TERI CSR Award for Vindhya Valley Program for sustainable livelihood to rural people

**Source:** Adapted from 'Rationale for Corporate Social Responsibility in India', The Financial Express, 22 Dec. 2004 and published data on company web sites.

From the above discussion, it is clear that CSR has emerged as an important concept and strategy to improve the social, economic and environmental issues. The present study is a review study to finding out the contribution by public and private sector organizations to the socio-economic development and protection of environment through their CSR activities. It is pertinent and important to see how this new initiative of the government is working and the extent of its effect on business management practices and socio-economic progress.

### IV. AIM OF THE STUDY

The study aims at to document the stage wise development history of CSR concept and its practice in India. It examines implementation of practices of CSR in Public Sector Undertakings and Private corporations with the challenges in execution of CSR by reviewing several papers published in the domain of CSR. To make clear and comprehensive understanding that to what extent the companies in India are doing CSR practices, there is a need to review the papers on CSR practices in different sectors of India.

### V. LITERATURE REVIEW

The major purpose of the review is to assess the knowledge and information which may be of help in understanding the current thinking and findings on the different aspect of CSR. Literature reviews form part of research studies for the purpose of bringing out the gaps in the studies and also for critically understanding the different perspectives

employed in the reviewed literature and analyzing their findings [7, 8, 9]. The papers have been used from various databases such as ProQuest, EBSCO, google scholar and JSTOR by using keywords such as CSR practices of Indian firms, CSR Voluntary Guidelines, CSR initiatives. The papers reviewed are from year 2004 to 2017.

**Mulky (2017)** [10] investigated the linkage of the CSR practices of top 50 Indian firms with the sustainable development goals (SDGs). The findings indicated that the CSR activities of the selected firms in India are primarily addressing the SDGs relating to health; education; work and economic growth, gender equality; water and sanitation; and life on land. The study recommended that Indian companies should implement CSR activities for addressing hunger also as it is crucial for SDGs.

**Preetha and Vanniarajan (2017)** [11] investigated a CSR programme 'Thalir Thiran Thittam' (TTT) from the viewpoint of the stakeholder's as a case based approach. The company selected was Aparajitha Corporate Services in India. This company is pursuing a unique CSR initiative in education sector by offering classes on skills and attitudes. The standard programme at schools offers knowledge and skills among the students; however, it does not cover up soft skills which will assist the students to progress further on in a competitive environment. 'Thalir Thiran Thittam' thinks about holding students with steady input of skills and attitudes, which are very vital in life, but are not included in the regular programme of study.

**Garg (2016)** [12] examined the deviation and development of CSR presentation of public and private firms independently. The paired t test was applied as a technique. The results showed that CSR practices of public and private firms have improved considerably. While examining the CSR deviations over industry, it was found that CSR of all the industries excluding cement, machinery and related products, and software services has changed notably. The industries like beverages and tobacco, chemicals and pesticides, drugs, metal and metal products, petroleum products and LPG, automobile, electricity, infrastructure, and banking sector reported a noteworthy change. All the industries apart from banking are from manufacturing area and are more polluting industries.

**Khatik (2016)** [13] highlighted various CSR practices of Bharat Heavy Electrical Ltd. (BHEL). The author stated that the company provides educational scholarships to 100 students of below poverty line category with addition of 50 students every year for 3-5 years for studies at all India level. The company provides coaching classes for preparation of entrance exam for their employees' children and also provides scholarships to Engineering and MBBS students i.e. Rs.24000 per annum. BHEL provides scholarships to disabled students upto Rs 20000 per annum. In addition to these BHEL also provides financial assistance

to the children of widows to enable them to pursue higher education. In addition to education and promotion of talent BHEL provided clothing and occupational education in beauty culture, and tailoring for women in order to make sure superior livelihood. In addition to it, BHEL also extend consciousness of healthiness and family wellbeing program among the major stakeholders namely employees, customer and suppliers. This is done by proactive communication and training program.

**Kaur and Bhaskaran (2015)** [14] studied the CSR practices of public sector bank and private sector bank. The author found that private sector banks are performing on all CSR parameters, but showing very less concern for entrepreneur development, while public sector banks are not at all performing any CSR practice in the area of ethics and employee development. Most of the CSR practices are carried out in the sectors of society welfare, financial inclusion and rural development by public sector banks, whereas in the case of private firms, they are focusing extra on society welfare, education and rural growth practices.

**Moharana (2013)** [15] analyzed the active CSR exercises of five nationalized banks namely Andhra Bank, Bank of Baroda, State Bank of India, Allahabad Bank, and UCO Bank. The study established the fact that the selected banks were directly occupied in CSR actions predominantly in the area of rural advancement, education, society wellbeing, women and children. The investigation revealed that the selected banks were making efforts for the functioning of CSR, but were limited within definite fields. The study recommended that there is a call for superior CSR practices by the banks, which is probable by adding more and more community expansion issues link with business sector.

**Nash (2012)** [16] in his study of CSR activities of a number of large public sector companies in India, which are specified as "Maharatna" companies, attests to the commitment of these companies to the cause of social development. Among the companies studied by the author are the steel authority of India Ltd (SAIL), Indian oil corporation (IOC), national thermal power corporation (NTPC), coal India Ltd. and oil and natural gas corporation (ONGC). The author suggests that the private sector corporates in India need to follow the example of these large public sector companies of India, and there is a need to bridge the gap in resource allocation for CSR activities between the public and the private firms.

**Singh (2008)** [17] highlighted that CSR practices of public firms are superior to the private firms. The cause for this deviation may be the regulations which are dissimilar for public and private firms. CSR has been made compulsory for private firms from last year only in the Companies Act 2013, while it has been compulsory for public firms since many years.



Arora and Puranik (2004) [18] pointed out that several organizations in India are occupied in varied issues such as healthcare, sanitation, arts, heritage, micro-credit and women empowerment, rural development, education, culture, and preservation of wildlife and nature etc. The investigation of the questionnaire suggests that although a lot of firms in India have taken on board the CSR activities but CSR appear to be in a puzzled status. The individual firms define CSR in their own restricted ways and perspectives. The final result is that all the assignments undertaken in the name of CSR are just philanthropy or an extension to philanthropy.

## VI. CONCLUSION

After reviewing the above literature, it is found that only a few studies have investigated some of the manifold facets of this notion in India, both theoretically as well as empirically [19, 20, 21]. Literature shows that only a few empirical studies in India [22, 23] are conducted to evaluate the situation of CSR, especially in the context of public and private firms' practices in India. These studies relied on the data created from the managers and not from the important stakeholder of the CSR i.e. society, thereby leaving a gap on the approach of Indian public and private sector firms towards CSR. In addition, attention needs to be paid on a mechanism which looks after the distribution of benefits to all needy in a rational manner. At the same time it is evident that there is a huge gap in targets and spending. Some companies make CSR expenditure as per their wish and will. There is also lack of expertise in which corporates perform their CSR activities. At the same time, the lack of professional NGOs dealing implementation of CSR in India is also evident.

## VII. DIRECTIONS FOR FUTURE RESEARCH

Most of the studies are conducted mainly on either the CSR perceptions of the managers or marketing activities of a company with a societal message [24]. With some exceptions [25, 26, 27], little has been carried out to think about the CSR perceptions of the consumer. So the future researchers are encouraged to study the CSR perceptions of the consumer.

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