

“FROM PROFIT TO PURPOSE: A DEEP DIVE INTO CORPORATE SOCIAL RESPONSIBILITY”

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Abstract

This research paper examines the historical significance of social responsibility in forming and sustaining society. A modern expression of this social commitment is corporate social responsibility (CSR). This dedication is based on moral and social principles, and it is best illustrated by Aristotle's realization that people are social creatures by nature. Big businesses are important in today's society, and this is especially true in times of crisis like the recent pandemic. The study explores the essential link between CSR and individual social responsibility, highlighting their mutually beneficial relationship. It recognizes the important roles played by well-known corporations both in times of crisis and in everyday life.

The study goes on to highlight the frequently overlooked contribution that corporate business makes to society, particularly when it comes to promoting economic growth and reducing poverty. It refutes the idea that governments alone are responsible for advancing economic advancement by claiming that business and commerce have an equal, if not greater, role in growth and the generation of wealth. A cycle of growth, innovation, and efficiency is fostered by the emergence of new businesses, which also promote skill development, income elevation, and job creation. The goal of this paper is to present a comprehensive understanding of corporate social responsibility (CSR), highlighting the mutually beneficial relationship between CSR and individual responsibility as well as its historical background and current significance. It clarifies how companies can become agents of good social change by aligning with social values through case studies and analyses.

Introduction

Universal happiness and prosperity as reflected in the Sanskrit sloka, “Sarve Bhavantu Sukhinah, Sarve Santu Niramayah...” forms the core of the Indian culture and tradition. The spirit of sacrifice and philanthropy is an integral part of this tradition. There are several instances of the kings, Nobels, and businessmen contributing generously to social causes. Throughout history, the concept of giving and helping others has been a common thread in various cultures. A concern of the rich for the poor and disadvantaged has been documented in Kautilya’s Artha Shastra. There are references to taking care of the family of deceased soldiers, helpless, weak, aged, and workers as one of the major responsibilities of the king (State).

This aligns with the essence of Corporate Social Responsibility (CSR) today, where businesses are increasingly recognizing their role in contributing to social welfare. The historical practices of donating resources to support the less fortunate echo the modern-day CSR initiatives undertaken by companies to make a positive impact on society. Corporate Social Responsibility is comprised of three words meaning the responsibility of the corporate towards the society. The company is primarily responsible to its shareholders. The company also owes responsibility towards other stakeholders, namely the customers, workers, employees, and suppliers. The concept of CSR originated from the need for making the development process sustainable. This is based on taking a macro view and looking beyond the shareholders, earning a profit, declaring dividends, and return on investment. The term "corporate social responsibility" (CSR) refers to the idea that businesses should integrate social and other beneficial concerns into their operations voluntarily for the benefit of their stakeholders and society at large. This idea aims to make businesses more socially responsible and environmentally conscious.

Need for the Study

Studying the role of CSR is imperative for comprehending its impact on both corporate entities and society at large. It provides insights into how CSR initiatives contribute to sustainable business practices, fostering positive social and environmental outcomes. Understanding this role is crucial for corporations aiming to align with societal expectations, enhance reputation, and contribute meaningfully to community development.

Objective of the Study

- To evaluate the applicability of CSR provisions in Indian corporate regulations and to explore the treatment of unspent CSR amounts.

- To understand the need for CSR and to demonstrate the mutual benefits for both companies and society resulting from CSR practices.
- To unveil the rationale behind the government's decision to mandate CSR in India.
- To analyse the role of Individual Social Responsibility

CSR Applicability in India

The provisions of CSR apply to every company fulfilling any of the following conditions in the preceding financial year:

- Net worth of more than Rs.500 crore
- Turnover of more than Rs.1000 crore
- Net profit of more than Rs.5 crore

The Board of Directors of any company subject to CSR provisions is obligated to guarantee that the company allocates a minimum of 2% of its average net profits from the preceding three financial years, in accordance with its CSR policy, for each financial year. In instances where a company has not yet completed three financial years since its establishment, the directive remains applicable, and the company is required to allocate 2% of its average net profits from the immediately preceding financial years as outlined in its CSR policy.

List of Permitted CSR Activities Under Schedule VII

The Board of Directors is tasked with verifying that the activities incorporated in a company's CSR Policy adhere to the parameters outlined in Schedule VII of the Act. The permissible activities outlined in Schedule VII, which companies can integrate into their Corporate Social Responsibility Policies, encompass the following:

1. Addressing poverty, hunger, and malnutrition, fostering healthcare, encompassing sanitation and preventive health measures, and contributing to the Swachh Bharat Kosh established by the Central Government for the promotion of sanitation and provision of safe drinking water.
2. Enhancing education, encompassing special education and bolstering vocational skills for children, women, the elderly, and individuals with different abilities, along with initiatives for livelihood enhancement.
3. Advancing gender equality, establishing residences and hostels for women and orphans, empowering women, creating homes for the elderly, establishing day care centers, and providing facilities for senior citizens, along with measures to alleviate inequalities faced by socially and economically disadvantaged groups.
4. Ensuring environmental sustainability, maintaining ecological balance, protecting flora and fauna, promoting animal welfare, engaging in agroforestry, conserving natural resources, and preserving the quality of soil, air, and water, including contributions towards the rejuvenation of the Ganga River.
5. Preserving national heritage, art, and culture, involving the restoration of historically significant buildings and sites, as well as artworks; establishing public libraries; and promoting the development of traditional arts and handicrafts.
6. Initiatives for the well-being of armed forces veterans, war widows, and their dependents, as well as veterans of the Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF), and their dependents, including widows.
7. Providing training to promote rural sports, nationally recognized sports, Paralympic sports, and Olympic sports.
8. Contributing to the Prime Minister's National Relief Fund, Prime Minister's Central Assistance and Relief in Emergency Situations Fund (PM CARES Fund), or any other fund established by the Central Government to support socio-economic development, offering relief and welfare to Scheduled Castes, Scheduled and backward classes, other backward classes, minorities, and women.
9. Contributing to incubators or supporting research and development projects in the fields of science, technology, engineering, and medicine, funded by the Central Government, State Government, Public Sector Undertaking, or any agency of the Central Government or State Government.
10. Contributions to publicly funded universities, IITs, national laboratories, and autonomous bodies established under DAE, DBT, DST, Department of Pharmaceuticals, Ministry of AYUSH, Ministry of Electronics and Information Technology, and other bodies, including DRDO, ICAR, ICMR, and CSIR, engaged in research in science, technology, engineering, and medicine with the aim of promoting Sustainable Development Goals (SDGs).
11. Projects focused on the development of rural areas.

12. Development initiatives for slum areas, defined as areas officially designated as such by the Central Government, State Government, or any other competent authority under current laws.

13. Management of disasters, encompassing relief, rehabilitation, and reconstruction activities.

Transfer and Use of Unspent Amount

A company has the option to transfer any unspent CSR amount to the designated funds listed below:

- A contribution directed towards the Prime Minister's National Relief Fund.
- Contribution to any additional fund initiated by the central government, dedicated to socio-economic development, relief, and welfare of scheduled castes, minorities, tribes, women, and other backward classes.
- Contribution to an incubator funded by either the central government, state government, state or central public sector undertaking, or any other agency.
- Contributions made to:
 - Public-funded universities
 - Indian Institute of Technology (IITs)
 - National Laboratories and Autonomous Bodies established under:
 - Indian Council of Agricultural Research (ICAR)
 - Council of Scientific and Industrial Research (CSIR)
 - Department of Atomic Energy (DAE)
 - Department of Biotechnology (DBT)
 - Department of Pharmaceuticals
 - Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)
 - Ministry of Electronics and Information Technology
 - Indian Council of Medical Research (ICMR)
 - Defence Research and Development Organisation (DRDO)
 - Department of Science and Technology (DST) engaged in conducting research in technology, science, medicine, and engineering aimed at encouraging Sustainable Development Goals (SDGs).

If there is any unspent amount pertaining to an on-going project under the company's CSR policy, the company is required to transfer this unutilized amount to a dedicated account known as the 'Unspent Corporate Social Responsibility Account' within 30 days from the end of the financial year. This account must be opened in any scheduled bank.

The company must allocate the funds from the 'Unspent Corporate Social Responsibility Account' towards its CSR obligations within three financial years from the date of transfer. If the funds remain unutilized at the end of the three financial years, the company must transfer them to the specified fund mentioned earlier within 30 days after the completion of the third financial year.

Why Corporate Social Responsibility?

In the context of the triple bottom line, encompassing environmental and societal concerns, corporate social responsibility (CSR) emerges as a mechanism to address these issues to some extent. Given that businesses operate within society and utilize diverse resources, CSR can be seen as a means to fulfil social responsibilities, aligning with Mahatma Gandhi's notion of business as a part of society in trusteeship. Social responsibility, defined as an obligation to both the planet and the people within and outside the business, entails satisfying various stakeholders such as owners, employees, customers, government, suppliers, and the environment. In the contemporary landscape, society and media increasingly advocate for businesses to consider social and environmental factors in their operations. CSR has become a prominent concern globally in the new millennium, necessitating attention from both corporations and governments. The mandatory implementation of CSR represents a significant step in regulating business activities that may have adverse effects on society. CSR encompasses issues like business ethics, community engagement, global warming, water management, and human dignity and rights. To ensure sustainability and thrive in the current mechanistic world, organizations must establish a robust relationship with society.

How CSR Benefits the Companies?

• Improves the Company's Reputation:

Engaging in CSR activities has a positive impact on a company's image, enhancing the goodwill of the organization. The implementation of CSR policies contributes to a clean and favourable image, fostering consumer willingness to purchase your products and services.

- **Opportunities for Business:**

Through their innovation, skills, and resources, large business firms have the capability to transform social challenges into opportunities. For instance, initiatives like "Project Shakti" not only assisted rural communities but also contributed to an increase in the company's revenue.

- **Facilitates Attracting and Retaining Potential Employees:**

Engaging in meaningful CSR activities enhances the visibility of the organization, making it more appealing to potential candidates seeking employment opportunities. Consequently, as the organization earns goodwill through impactful CSR initiatives, employees are inclined to commit to the company for an extended duration.

- **Draws in New Investors:**

Keep in mind that the market perception of your organization plays a crucial role in attracting new investments. Implementing CSR programs can enhance the company's image, drawing attention and interest from potential investors as the organization gains visibility.

- **An Excellent Method to Promote Your Brand:**

The notion that any publicity is advantageous holds true. Initiating a CSR program automatically generates a certain level of publicity for your organization, akin to advertisement. It is essential to ensure that all your products and services align with the CSR activities you are engaged in.

- **Sustainable Long-Term Interests:**

A business firm can thrive and expand over the long term only within a healthy social environment. By fulfilling its social obligations, a business contributes to cultivating such an environment. In essence, CSR is inherently in the self-interest of business firms.

- **Independence of Businesses:**

If a business neglects its social obligations, the government initiates intervention and regulation of business activities, incurring substantial costs in terms of both money and time for the business.

- **Loyalty of Customers:**

Customer loyalty is a valuable asset for business firms, providing substantial long-term benefits.

How CSR Benefits the Society?

- **Improved Employment Opportunities:**

Participating in CSR initiatives can result in improved employment opportunities. CSR fosters a positive atmosphere by offering a healthy and conducive environment for employees.

- **Advancements in Technology and Infrastructure:**

CSR encourages companies to pioneer new technologies, foster innovation, and develop infrastructure that benefits society, contributing to overall societal progress.

- **Security Assurance:**

When corporations demonstrate concern for society, it installs a sense of security among community members, contributing to the reduction of corruption.

- **Enhanced Quality Standards:**

CSR prevents companies from profiting at the expense of product quality. Enhanced product quality, in turn, leads to heightened customer satisfaction.

- **Elevated Quality of Life:**

CSR disseminates awareness across all segments of society, playing a crucial role in educating people and contributing to the factors that foster a better society.

- **Safeguarding the Natural Environment:**

Preserving the natural environment is advantageous for all. Mitigating CO2 emissions, minimizing waste, and reducing the consumption of non-renewable resources are a few ways to safeguard the natural environment.

Why Mandate CSR Compliance?

While there were certainly many companies in India engaging in philanthropic and social responsibility activities voluntarily before the introduction of mandatory CSR regulations, the enforcement of such practices varied widely. Prior to the Companies Act, 2013, there was not a standardized or systematic approach to ensure that companies, especially larger ones, were consistently and substantially contributing to social causes. The introduction of mandatory CSR in India was, in part, a response to perceived shortcomings in the voluntary approach. Some reasons for making CSR mandatory included:

- **Inconsistency:**

While many companies voluntarily engaged in CSR activities, the extent and nature of their contributions varied widely. Mandatory CSR aimed to create a more consistent and systematic approach across the corporate sector.

• **Limited Impact:**

Voluntary CSR efforts, while commendable in many cases, may not have been sufficient to address large-scale social and environmental challenges. Mandatory CSR was seen as a way to ensure a more significant and targeted impact on societal issues.

• **Social Development:**

The primary goal is to encourage companies to actively contribute to social development and welfare. By making CSR mandatory, the government aims to harness the resources and capabilities of the corporate sector to address social issues.

• **Inclusive Growth:**

The government recognizes the need to ensure that economic growth is inclusive and benefits all sections of society. Mandating CSR is a way to promote the idea that businesses should play a role in reducing social inequalities.

• **Corporate Accountability:**

Mandatory CSR regulations enhance corporate accountability by requiring companies to allocate a portion of their profits towards social initiatives. This promotes transparency and responsible business practices.

• **Community and Environmental Impact:**

India faces various social and environmental challenges. The government believes that companies, as stakeholders in society, should actively participate in efforts to mitigate these challenges and contribute to the overall well-being of communities.

• **Global Best Practices:**

Many countries globally were adopting or considering mandatory CSR regulations. India's move was in line with international trends and standards, promoting responsible business practices.

CSR Initiatives and Green Measures by Indian Companies

(As per The CSR Journal)

| SL. NO | COMPANY | INITIATIVES |
|--------|-------------|--|
| 1 | INFOSYS | <p>Infosys limited is a conglomerate of digital and consulting services. It has spent Rs. 344.91crores towards CSR activities in the year 2021-22 as per its annual report. The company was an early adopter of CSR policy and initiatives. They formed the Infosys Foundation which is a not-for-profit company. Aim of the foundation is to develop the community and fulfil its CSR commitments.</p> <p>Focus areas include:</p> <ol style="list-style-type: none"> 1. Health (including hunger, poverty, and malnutrition) 2. Education 3. Rural development 4. Gender Equality initiatives and empowering women 5. Environment sustainability 6. Preservation of art, culture, and national heritage. |
| 2 | TATA Groups | <p>A leader in technology and Consultancy, Tata Consultancy Services (TCS) has contributed Rs. 727 crores in the year 2021-22 towards various sustainable development programs thereby doing their bit for the society and environment. Domains of CSR efforts include health, environment, education, skill-building, and entrepreneurship. The Company believes that all are born with equal potential but not equal opportunity. TCS' vision is to empower people and communities, building self-reliance through purpose and technology while ensuring the values of fairness, equity, and respect for human rights.</p> |
| 3 | ITC | <p>The multi-business conglomerate has spent Rs. 351.13 crores towards CSR in the year 2020-21. Their area of work includes:</p> <ol style="list-style-type: none"> 1. Health & Sanitation, 2. Drinking-Water, 3. Eradication of Poverty, 4. Education, 5. Vocational Training, 6. Livestock Development, 7. Livelihood Generation, 8. Women Empowerment, 9. Environment Sustainability, 10. Soil & Moisture Conservation, 11. Social Forestry, 12. Protection of national heritage, art, and culture 13. Agriculture Development. |

Individual Social Responsibility

Individual Social Responsibility (ISR) is a moral principle emphasizing our collective responsibility toward society. Practicing "social responsibility" involves individuals acting ethically and with awareness of social, economic, and environmental concerns. Moreover, discussing corporate social responsibility (CSR) is incomplete without recognizing that for corporations to fulfil their social responsibility, individuals must exhibit social responsibility in their diverse roles. Whether as consumers, investors, or employees, we all play a part. Therefore, CSR cannot be achieved without, at the very least, Individual Social Responsibility (ISR).

Some of the Individual Social Responsibility are:

- Adopting decisions that benefit the broader population;
- Advocating for personal self-interest within the bounds of not causing harm to others;
- Adopting decisions with the conviction that every individual possesses fundamental rights that warrant respect and protection;
- Adopting decisions that treat everyone with fairness and consistency;
- Individuals bear an ethical responsibility to friends and family, while businesses are obligated to foster ethical practices in the workplace;
- Every individual is obligated to adhere to a moral course;
- Every individual must ensure that their actions do not have a detrimental impact on the environment;
- Every individual should refrain from participating in socially harmful activities;
- Every individual's goal is to contribute to society's well-being without causing harm.

Review of Literature

Amit Kumar Srivastava, Anviti Gupta, Akansha Abhi Srivastava, and Reeta Singh, Title: "Corporate Social Responsibility (A Literature Review)," 2017.

The conclusion of this paper establishes a distinctive perspective on Corporate Social Responsibility (CSR) by differentiating it from philanthropy and charity. The analysis posits that CSR is not solely a selfless act but a strategic initiative from which companies derive long-term benefits. Emphasizing the Triple Bottom Line approach, the paper elucidates the interconnected relationship among corporations, society, and the environment, underscoring how CSR contributes to corporate sustainability. The paper recognizes the influence of various factors, including globalization, governmental policies, inter-governmental bodies (e.g., U.N., OECD, ILO), technological advancements, and stakeholder awareness, in shaping the CSR policies of companies. This nuanced conclusion contributes to a deeper understanding of CSR as a strategic and multifaceted framework that goes beyond traditional notions of philanthropy and charity.

Chaitra R. Beerannavar, Title: "Corporate Social Responsibility in

India: The need of the hour."

This paper provides a comprehensive exploration of Corporate Social Responsibility (CSR) in the Indian context, positioning it as a contemporary imperative. The literature elucidates the historical aspects and evolving scope of CSR, tracing its roots and highlighting its transformative journey from philanthropy to active stakeholder participation. By capturing the historical trajectory, the paper offers valuable insights into the changing dynamics and motivations behind CSR initiatives in India. Furthermore, the author sheds light on new innovations in implementing CSR, showcasing how businesses are adapting to novel approaches for sustainable and impactful social contributions. This comprehensive examination positions CSR as a critical necessity in the current business landscape, emphasizing its evolution, historical context, and innovative strategies for fostering meaningful societal change.

Sahani and Amit Kumar, Title: "Corporate Social Responsibility under the Companies Act 2013 A Critical Study", 2021.

This paper conducts a thorough examination of Corporate Social Responsibility (CSR) as mandated by the Companies Act 2013. The literature critically evaluates the regulatory framework, offering insights into the implications and challenges posed by the statutory requirements.

By delving into the provisions of the Companies Act 2013, the study scrutinizes the impact on corporate behaviour, focusing on how CSR is institutionalized and enforced. The critical analysis sheds light on the effectiveness of the legislation in driving meaningful CSR practices, exploring areas of success and potential improvement. This paper contributes to the scholarly discourse on CSR within the regulatory context, providing a nuanced understanding of the complexities and implications of CSR under the Companies Act 2013

Rabinarayan Samantara and Shivangi Dhawan, Title: “Corporate Social Responsibility in India: Issues and challenges,” 2021.

The paper titled "Corporate Social Responsibility in India: Issues and Challenges" delves into the intricate landscape of CSR practices in India. Examining the factors driving CSR adoption, the author sheds light on the motivating forces such as regulatory compliance, societal expectations, and the imperative for sustainable business practices. The author thoroughly explores the issues and challenges confronted by companies during CSR implementation, addressees' concerns related to resource allocation, strategic alignment, and stakeholder engagement. Offering valuable contributions, the paper goes beyond highlighting challenges and provides insightful suggestions to overcome them, presenting strategic approaches and best practices. Additionally, it showcases successful CSR initiatives by Indian companies through case studies. In summary, this paper combines theoretical understanding with practical examples, presenting a comprehensive view of CSR in the Indian context for both scholars and practitioners.

Akanchha Singh, Title: “The Benefits of the CSR to the Company and Society,” 2018.

The paper critically examines the reciprocal advantages stemming from Corporate Social Responsibility (CSR) initiatives, emphasizing the dual impact on both companies and society. It underscores how CSR contributes to the positive image and reputation of companies, enhancing their brand value and consumer trust. The paper discusses the role of CSR in fostering long-term sustainability and competitiveness, aligning business strategies with societal well-being. Additionally, the paper explores the societal benefits of CSR, such as community development, poverty alleviation, and environmental conservation. By presenting a comprehensive view of the symbiotic relationship between companies and society through CSR, the paper contributes to a deeper understanding of the far-reaching positive outcomes of responsible corporate practices.

Ajay V Gupta, Title: “Individual Social Responsibility,” 2019.

This paper delves into the interplay between Corporate Social Responsibility (CSR) and Individual Social Responsibility, elucidating the interconnected roles in societal betterment. By exploring the synergies between corporate and individual responsibilities, the author highlights how collective efforts contribute to comprehensive social impact. The paper emphasizes several responsibilities that individuals should shoulder for societal improvement, including ethical consumerism, environmental consciousness, and active community engagement. It offers insights into how personal choices and behaviours can align with CSR objectives, fostering a culture of shared responsibility. The paper serves as a valuable resource, drawing connections between corporate and individual spheres to promote a holistic approach towards societal well-being.

Methodology

This study centers around Corporate Social Responsibility (CSR), seeking to offer a thorough comprehension of its intricacies, consequences, and regulatory dynamics. The research methodology adopts a meticulous exploration approach, relying on a comprehensive review of existing literature, scholarly articles, and regulatory frameworks related to CSR, specifically under the Companies Act 2013. This literature-centric approach ensures a nuanced analysis, providing insights into the historical evolution, contemporary relevance, and the impact of CSR within the legal framework.

Conclusion

In the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state, and the society. Firms can no longer continue to act as independent entities regardless of the interest of the public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realize the fact that to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes.