

**CORPORATE SOCIAL RESPONSIBILITY IN CEMENT INDUSTRY:
(A STUDY WITH A SPECIAL REFERENCE TO SELECT UNITS IN GULBARGA DISTRICT OF KARNATAKA)**

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ABSTRACT:

In recent decades, it has been observed that increased numbers of knowledgeable citizens are critically analyzing the impacts of business activities on society. This has brought changes in social expectations and an emphasis on inclusive growth, social equity and affirmative action. As a result, businesses are under increasing pressure to visibly engage in activities which are described as CSR (Corporate Social Responsibility).

In current period, countries which want to implement the sustainable development objectives must also implement the environmental protection and social welfare programmes. Environmental and social protection is the urgent need of each enterprise, each level, each sector, and each country. For any economic sector, the development is always linked to the sustainability of environment and society. In the long term, the responsibilities of the enterprises to the environmental and social issues shall be an important factor to increase the profit of these enterprises. Thus, the enterprises are required to balance between the economic benefits and social and environmental contributions, implementing the responsibilities of the enterprises to the environment through particular actions such as: environmental impact assessment, minimizing the costs on materials, fuel and reducing the costs for waste. This paper is an attempt to estimate the contribution made by the Cement industries towards CSR activities in accordance with the provisions of the New Companies Act, 2013. The present paper is based on the secondary data only. The required data were collected and compiled from various published and unpublished sources.

Key words: CSR, Companies act 2013, phases of Corporate Social Responsibility.

INTRODUCTION:

Earning of profit is the main object of any industrial organization, but it is not only sole object of industry. An industry should do the business and earn profit in ways that, it fulfils the expectations of the society. Industry has certain obligations towards society. It has to respect social values and norms of behavior. Because society is permitted to carry the industrial and commercial activities to earn profit. But in desire to earn more profit in short period, the industry has ignored the moral values of ethics. This socially undesirable practice may increase the profits of industry, but will have adverse effect on society at large. So every industry should respect the social values and norms of behavior. It is through socially responsible and ethically upright behavior that industry can get durable success.

Corporate Social Responsibility links the responsibilities of the enterprises with the society, and the activities of the enterprises to the strict environmental and social standards, and supports the community in different manners. Accordingly, besides the criteria on using advanced, clean, environmentally friendly technology, reducing carbon gas and toxic substances which may cause bad impacts on the ozone layer, and climate change, enterprises are also required to be transparent in their production and business activities and the leaders of the enterprises should be responsible for explanations to relevant competent authorities.

SCOPE OF THE STUDY:

Kalaburgi District is one of the major cement producers of Karnataka State. The District has eight cement units.

The present study on Corporate Social Responsibility in cement industry is a new theme in the case of Gulbarga District, Karnataka. The relevance of the study is for understanding the current practices and importance of Corporate Social Responsibility in cement industry. The area selected for the study is Gulbarga District of Karnataka. In the context of the basic objectives laid down for the survey it is decided to limit the scope of the present studies to cement industry. Even today the preliminary experience of cement industry in Gulbarga has not been studied by any team including Govt. agencies or any volunteer organization particularly the Corporate Social Responsibility in Cement industry.

REVIEW OF LITERATURE

In recent years the business strategy field has experienced the renaissance of Corporate Social Responsibility (CSR) as a major topic of interest. The concept has not surfaced for the first

time. Corporate Social Responsibility has been in vogue since considerable time, particularly from 1960 onwards.

“Corporate Social Responsibility refers to any business concerns, not only protecting its own interest such as making profit. It is protecting the interest of different groups of society such as owners, investors, consumers, employees, Government .”

“Corporate Social Responsibility refers to voluntary actions undertaken by cement industry to either improve the living conditions (Economic, Social, Environmental) of local communities or to reduce the negative impact of cement projects.”

“**Corporate Social Responsibility** refers to the way a company balances its economic, social and environmental objectives while addressing stakeholders expectations and enhancing shareholder’s value.”

Among other countries India has one of the richest traditions of Corporate Social Responsibility. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but Corporate Social Responsibility in India has yet to receive widespread recognition. If this goal has to be realized then the CSR approach of corporate has to be in line with their attitudes towards mainstream business - companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

In this section the researcher will review briefly important works on different aspects of Corporate Social Responsibility in cement industries. The survey is undertaken with a view to understand the problems including the facts and minimize or better still to avoid duplication of research efforts.

Bowen (1953)¹ the first person to initiate the modern attempt to characterize the doctrine of Corporate Social Responsibility. For Bowen, the prominence of corporate organizations in society does not only give them vital power and decision-making, but their activities also affect the lives of people in great many ways. For these and other reasons, sound business-society relations are supposed to be established in order to conform business activities to societal expectations.

Monsen (1963)² has undertaken a study on the level of hierarchy of business activity. He found out that there are four levels. At the base are managers who feel that society is well-served as long as the firm obeys the law. At the next level, managers who go beyond the legal minimum, accepting the need to cater to public expectation as well and responding to public opinion.

According to **Friedman (1971)**³ “Corporate Social Responsibility is beyond the basic purpose of business and violates the responsibility of business to its owners, the stockholders”. He further

stated that if the owner or a manager of a business has independent wealth, he or she is free to contribute his or her own resources to improve society.

Kaith Davis (1975)⁴ has provided five propositions for social responsibility in corporations. The first proposition states that social responsibility arises from social power. Social responsibility arises from a concern about the consequences of business actions as they affect the interests of others. The second proposition is that business has to operate as a two-way open system with the open receipt of inputs from society and open disclosure of its operations to the public. The third proposition is that social costs as well as benefits of an activity, product or service should be thoroughly calculated and considered in order to decide whether to proceed with the manufacture of a product or not. The fourth proposition states that the social costs of each activity, product or service should be priced into it so that the user pays for the effects of his consumption on society.

The final proposition is that beyond social costs reduction, business institutions as citizens have responsibilities for social involvement in areas of their competence where major social needs exist. The author thus outlines the basic principles for developing socially responsible policies.

The American Accounting Association's (AAA) Committee on Accounting for Social Performance (1975)⁵ conducted a study in the area of social measurement and reporting. Social reports of 14 firms were analyzed under the hierarchy of standards, secondary criteria and additional considerations following Estes' standards for Corporate Social Reporting.

Marcel van Marrewijk (2003)⁶ has narrowed down the concept of corporate social responsibility so that it covers three dimensions of corporate action: economic, social and environmental management.

Balmer et al., (2007).⁷ Philanthropic responsibilities arise out of the philosophical, ethical tradition of being concerned with what is good for a society as a whole, and seemingly provide a justification for corporations to help improve the quality of life of different parties and communities in the society as well as to preserve our natural environment.

Leena James (2012)⁸ The Corporate Social Responsibility practice of the organization has long been a topic of great interest for research. Most firms understand the need to be economically successful and the importance of complying with laws and responsible to the society. Till the late twentieth century, the mission of business firms was exclusively economic. With the business environment being characterized by various developments including the shift of power from capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries due to faster means of travel and communication. People are, by and large, becoming conscious of their rights, which have led to a rise in the expectations of society from business.

Dr T Rajasekar, Dr S Rameshkumar(2015)¹⁴ The CSR is a philosophy that looks at the social interest and the long-run enlightened self interest of business. It aims at integrating the business interest with that of the community in which it operates. India has become the first country in the world to mandate CSR activities through the statutory provisions. Here, an attempt has been made to estimate the contribution made by the BSE Sensex Companies towards CSR activities in accordance with the provisions of the New Companies Act, 2013.

From the survey of existing studies, it is observed that no significant studies were conducted on Corporate Social Responsibility in this area currently cement units. Hence it is a proposal to undertake the study on Corporate Social Responsibility keeping in view the cement industry.

STATEMENT OF THE PROBLEM:

The purpose of this research is to explore how cement units in Gulbarga district of Karnataka participate in socially responsible activities and explain the Corporate Social Responsibility approach undertaken by them. Profit is the purpose of business, but the execution of social responsibility is the foundation for sustainable development of each enterprise. Companies with responsibilities for the society normally create breaking achievements in industry and market without destroying the environment and consuming many natural resources. Investment and development of business and production with social responsibility is the best way selection which normally brings about high economic outcome in long run because the consumers always select products and services from the enterprises with respect to the natural resources, environment and society.

The Corporate Social Responsibility concept was initially used by national companies more as a marketing and media coverage instrument rather than for its ethical values. Recently the public is watching closely to pressing cases of violating business ethics and destroying the environment and health at serious level. The wrong-or right of the above cases are clear. However, for the society and thousands of operating enterprises, the issue of Corporate Social Responsibility (CSR) is started and it requires to be discussed seriously in terms of policy argument and practice.

Keeping this in view and also review of existing literature researcher intends to carry out the research on the topic entitled **“Corporate Social Responsibility in Cement Industry: (A Study with a special reference to select units in Gulbarga district of Karnataka)”** for research work.

OBJECTIVES OF THE STUDY

The following are the broad objectives of the study

1. To study an overview of Corporate Social Responsibility Rules under Companies Act, 2013.
2. To study the present status of Corporate Social Responsibility in India.

RESEARCH METHODOLOGY:

The present study is based on both primary data and secondary data. The primary data will be collected by using well structured questionnaire and secondary data will be collected from Books, Encyclopedias, Year Books, Text Books, and Reference Books. Journals: Published Monthly, Quarterly, Half yearly and annually. Reports: Reports of Committees/Commissions appointed by Governments and Public institutions. Seminar Reports and Conference Proceedings, Research Dissertation and Thesis and Annual Reports of Cement Units.

An overview of Corporate Social Responsibility Rules under Companies Act, 2013.

The Ministry of Corporate Affairs has told in Section 135 and Schedule VII of the Companies Act 2013 about the Corporate Social Responsibility Policy as well as the provisions of the Companies Rules, 2014 to come into effect from April 1, 2014.

With outcome of the CSR policy from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to use at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution to any political party is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure.

The net value, earnings and net profits are to be computed in terms of Section 198 of the 2013 Act as per the profit and loss statement prepared by the company in terms of Section 381 (1) (a) and Section 198 of the 2013 Act. While these provisions have not yet been notified, it has been clarified that if net profits are computed under the Companies Act, 1956 they needn't be recomputed under the 2013 Act. Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to comply with the

CSR obligations would not be included in the computation of net profits of a company.

The CSR Rules appear to widen the ambit for compliance obligations to include the holding and subsidiary companies as well as foreign companies whose branches or project offices in India fulfill the specified criteria. There is a need for clarity with respect to the compliance obligations of a company as well as its holding and subsidiary companies.

The actions that can be undertaken by a company to discharge its CSR obligations include eradicating starvation, poverty and undernourishment, promoting precautionary healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, animal welfare, protection of national heritage and art and culture, measures for the benefit of armed forces veterans, war widows and their dependents, training to promote rural, nationally recognized, Paralympic or Olympic sports, contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC, ST, OBCs, minorities and women, contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects. However, in shaping CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

To prepare and monitor the CSR policy of a company, a CSR Committee of the Board needs to be constituted. Section 135 of the 2013 Act requires the CSR Committee to consist of at least three directors, including an independent director. However, CSR Rules exempts unlisted public companies and private companies that are not required to appoint an independent director from having an independent director as a part of their CSR Committee and stipulates that the Committee for a private company and a foreign company need have a minimum of only 2 members.

A corporation can undertake its CSR activities through a registered trust or society, a company established by its holding, subsidiary or associate company or otherwise, provided that the company has specified the activities to be undertaken, the modalities for utilization of funds as well as the reporting and monitoring mechanism. If the entity through which the CSR activities are being undertaken is not established by the company or its holding, subsidiary or associate company, such entity would need to have an established track record of three years undertaking similar activities.

Companies can also work together with each other for jointly undertaking CSR activities, provided that each of the companies are able individually report on such projects.

A company can build CSR capabilities of its workers or performance agencies through institutions with established track records of at least three years, provided that the expenditure for such activities does not exceed 5% of the total CSR expenditure of the company in a single financial year.

The CSR Rules specify that a company which does not satisfy the specified criteria for a consecutive period of three financial years is not required to comply with the CSR obligations, implying that a company not satisfying any of the specified criteria in a subsequent financial year would still need to undertake CSR activities unless it ceases to satisfy the specified criteria for a continuous period of three years. This could increase the burden on small companies which do not continue to make significant profits.

The report of the Board of Directors attached to the financial statements of the Company would also need to include an annual report on the CSR activities of the company in the format prescribed in the CSR Rules setting out inter alia a brief outline of the CSR policy, the composition of the CSR Committee, the average net profit for the last three financial years and the prescribed CSR expenditure. If the company has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report.

Where a company has a website, the CSR policy of the company would need to be disclosed on such website.

Evolution of CSR in India

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

The First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the

society in getting over phases of famine and epidemics by providing food from their go downs and money and thus securing an integral position in the society.^[citation needed] With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhanian were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.^[3]

The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. *"I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories."* This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development.^[4] According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

The Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development.^[citation needed] Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited

extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

The Fourth Phase

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing (Gajare, R.S. (2014). A conceptual study of CSR development in India. In D.B. Patil & D.D. Bhakkad, Redefining Management Practices and Marketing in Modern Age Dhule, India: Atharva Publications (p. 152-154).} and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

Fifth Phase: New Companies Act, 2013 CSR is no more charity or mere donation. It is no longer an option but it is mandatory. Present companies are more willing to contribute towards social cause because of the awareness of the mantra of sustainability which is 'CSR and performance of the company are not mutually exclusive'.

CSR under the New Companies Act, 2013

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another

form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.^[6]

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

Also, corporates increasingly join hands with non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes . Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.^[13]

Law

Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.^[13]

LIMITATIONS OF THE STUDY:

This research is limited to Corporate Social Responsibility practices in cement industry. Presently in this article the study is related to an overview of the CSR rules under companies act, 2013 and present status of CSR practices in India.

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