

CSR UNDER THE NEW COMPANIES ACT 2013 - A SPECIAL FOCUS ON**BSE SENSEX COMPANIES****Dr T Rajasekar**

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ABSTRACT

The concept of Corporate Social Responsibility (CSR) is not new to India. In India, most of the business houses undertake CSR activities either through their business or through a Non-Governmental Organisation (NGO) or trusts. India has become the first country in the world to mandate CSR activities through the statutory provisions. This paper is an attempt to estimate the contribution made by the BSE Sensex Companies 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 The required data were collected and compiled from various published and unpublished sources. The Percentage Analysis has been employed to analyse the data with a view to measure the individual contribution made by the BSE Sensex Companies. The CSR contribution of the BSE Sensex Companies was estimated on the basis of the data for a period of three years, that is, from 2011 to 2013. It is found that a majority of the BSE Sensex Companies are undertaking their CSR activities on two important areas, namely, education and health care. Though the companies are concentrating on different kinds of activities, the education and health care top the list in terms of CSR activities. The results of the study show that the estimated contribution made by the BSE Sensex Companies as per the provisions of the New Companies Act, 2013 has amounted to Rs.4502.07 crore. The contribution made by the Sensex companies alone has constituted 22.52 per cent of total contributions (Rs.20000 crore) made by all qualifying companies as per the provisions of the New Companies Act, 2013.

Key words: CSR, CSR Contribution, CSR Activities, and CSR Reporting.

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Introduction

Milton Friedman in 1963 pronounced a theory that “there is one and only responsibility of business – to use its resources and engage in activities designed to increase its profits” (Rajan Mehrotra, 2013). Now, the theory of Milton Friedman has changed. The companies have an obligation to various groups of society and are expected to be ethical and a good corporate citizen. Most of the Multinational Companies (MNCs) have started to realize the importance of serving the stakeholders’ interests apart from shareholders. The concept of Corporate Social Responsibility (CSR) is not new to India. In India, most of the business houses undertake CSR activities either through their business or through a Non-Governmental Organisation (NGO) or trusts. India has become the first country in the world to mandate CSR activities through the statutory provisions. As per the provisions of the New Companies Act 2013, every company having a net worth of Rs.500 crore or more, or turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more during any financial year shall allocate at least two per cent of its average net profits made during the three immediately preceding financial years. An attempt has been made in this paper to estimate the contribution made by the BSE Sensex Companies towards CSR activities in accordance with the provisions of the New Companies Act, 2013.

Objectives

The major objectives of the paper are as follows;

1. To trace the origin and growth of CSR activities in India.
2. To estimate the contribution made by the BSE Sensex Companies towards CSR activities as per the provisions of the New Companies Act, 2013.

Methodology

The main objective of this paper is to estimate the contribution made by the BSE Sensex Companies towards CSR activities as per the provisions of the New Companies Act, 2013. This paper is based on the secondary data only. The required data were collected and compiled from various published and unpublished sources. The major sources include Annual Reports, Sustainability Reports and the websites of the BSE Sensex Companies. The other sources include books, journals, magazines, newspapers and the like. The Simple Percentage Analysis has been used to analyse the data with a view to measure individually the contribution made by the BSE Sensex Companies. The CSR contribution of the selected companies was estimated on the basis of the data collected for a period of three years, that is, from 2011 to 2013.

Origin and Growth of CSR in India

According to Chapter IX, Section 135 of the Companies Act, 2013 CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for common good and demonstrates its commitment in this regard by the adoption of appropriate business processes and strategies. Thus, CSR is no more charity or mere donation. It is no longer an option but a mandated duty.

The CSR is not a new concept to the Indian economy. The major thrust for CSR was given by Swami Vivekananda whose philosophy was 'Live for Others'. He inspired Jamshedji Tata to establish two of India's premier institutions dedicated to fundamental science and research, namely, Indian Institute of Science and Tata Institute of Fundamental Research. The origin and development of CSR in India could be classified into different phases. The different phases from which the old acronym CSR evolved are as follows ;(Anup Gupta, 2014)

First Phase: Philanthropy (till 1850)

In the pre-industrialization period, wealthy merchants shared their profit by setting up temples, charities and the like.

Second Phase: Gandhism

Under Jawaharlal Nehru's influence, companies set up trusts for schools and colleges. The operations of the trusts were largely in line with reforms of Gandhi.

Third Phase: Development through Public Sector

The Public Sector Units were set up to ensure equal distribution of wealth and resources to the needy. However, they were effective only to some extent.

Fourth Phase: Foreign Business Norms

Indian companies started abandoning their traditional engagement with CSR and integrated it with sustainable business strategy.

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

The President of India gave assent to the Companies Bill 2013 and subsequently the Companies Act, 2013 came into force with effect from 1st April 2014. India has become the first country in the world to mandate CSR activities through the statutory provisions. As per the provisions of the New Companies Act, 2013, every company having a net worth of Rs.500 crore or more, or turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more during any financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. This committee will formulate a CSR policy indicating the activities the company will undertake, it will recommend the financial allocation for the project and also monitor its progress. All companies qualifying as per the threshold are expected to spend in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years (Mathew, 2012).

CSR Activities

The CSR activities of the company shall be as per the stated CSR policy of the company, excluding activities undertaken in pursuance of its normal course of business. A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner

that the CSR committees of the respective companies are in a position to separately monitor such projects or programs in accordance with these rules. The expenses for implementing CSR activities should not exceed 5 per cent of the total CSR expenditure in one financial year. The following activities are included in Schedule VII of the New Companies Act, 2013;

1. Eradicating extreme hunger and poverty.
2. Promotion of education.
3. Promoting gender equality and empowering women.
4. Reducing child mortality and improving maternal health.
5. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.
6. Ensuring environmental sustainability.
7. Employment enhancing vocational skills.
8. Social business projects.
9. Contribution to Prime Minister's National Relief Fund.
10. Contribution to the Swach Bharat Kosh set up by the Central Government for the promotion of sanitation.
11. Contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga.

3CSR Activities of the BSE Sensex Companies

An attempt is made to identify the various activities undertaken by the companies which are included in the BSE Sensex. Table 1 highlights the areas on which the BSE Sensex Companies undertake their CSR activities.

TABLE 1
CSR Activities of the BSE Sensex Companies

Sl.No	Name of the company	CSR activities
1	ONGC	Health care, Infrastructure
2	Reliance Industries Ltd.	Education, Skill Development.
3	TCS Ltd	Literacy, Employability programs, health centre.
4	NTPC	Education, Health, Women empowerment
5	State Bank of India	Children welfare, Charitable activities.
6	Infosys Ltd.	Healthcare, Education, Welfare programs
7	ICICI Bank Ltd.	Health and Education
8	ITC Ltd.	Forestry, Solid waste management
9	Coal India Ltd	Education, Social Empowerment
10	HDFC Bank Ltd.	Education, Financial literacy and Health

11	BHEL	Environment protection and Energy generation
12	Tata Steel Ltd.	Social sustainability and Healthcare
13	Axis Bank Ltd.	Poverty alleviation and Education
14	Wipro Ltd.	Education and Recovery of disaster area programs.
15	HDFC Ltd	Skills and Training, Responding to natural calamities.
16	L&T Ltd	Health, Education, Environment.
17	Bharti Airtel Ltd.	Education and Training
18	GAIL Ltd.	Education, Adoption of villages and Legal awareness.
19	Mahindra& Mahindra	Education, Sports, Promotion of arts and culture.
20	HUL	Water Conservation and Harvesting, Rural Development
21	Bajaj Auto Ltd.	Healthcare, Sports, Cultural programmes
22	Maruti Suzuki Ltd.	Employment and Training
23	Hero Motorcorp Ltd.	Literacy and Rural healthcare
24	Hindalco Industries Ltd.	Women SHGs, Education, Environment
25	Cipla Ltd.	Teaching Palliative Care, Physiotherapy
26	Dr.Reddy's Laboratory Ltd.	Agro based Livelihood Initiatives
27	Tata Power Company Ltd.	Education, Healthcare and Employability
28	Sun Pharmaceuticals Ltd.	Health, Education, Disaster relief
29	Tata Motors Ltd.	Employability, Health, Education, Environment.
30	Sesa Sterlite Ltd	Sustainable livelihoods and Women empowerment.

It is seen in Table 1 that the Sensex companies are focusing on different areas under their corporate social responsibilities. Though the focused areas of these companies varies from one to another, the education and healthcare top the list in terms of CSR activities of Sensex companies.

Estimation of CSR Contribution by the BSE Sensex Companies

There are around 8 lakh companies across India. Only one per cent of the companies, that is, 8000 companies would be covered under the ambit of CSR provisions of the New Companies Act, 2013. The industry estimates that around Rs.15000 to Rs.20000 crore could be collected annually as CSR funds from these qualifying companies (Diptoshree Sengupta, 2014).

In this part, an attempt has also been made to estimate the contribution to be made by the BSE Sensex Companies in accordance with the provisions of the New Companies Act, 2013. Table 2 shows the data relating to the contribution made by the BSE Sensex Companies under the New Companies Act, 2013.

TABLE 2
CSR Contribution of the BSE Sensex Companies

Name of the Company	Profit			Total	Average Profit	2% of the Average Profit
	2013	2012	2011			
ONGC	30597	33511	27650	91758	30526	610.52
Reliance Industries Ltd.	26284	24326	24584	75194	25065	501.29
TCS	15703	13366	8700	37769	12590	251.79
NTPC	14865	12013	10411	37289	12430	248.59
State Bank of India	14105	18483	14954	47542	15847	316.94
Infosys Ltd.	12274	11096	8821	32191	10730	214.61
ICICI Bank Ltd.	11397	8803	6760	26960	8987	179.73
ITC Ltd.	10771	8835	7191	26797	8932	178.65
Coal India Ltd.	10338	8600	4724	23662	7887	157.75
HDFC Bank Ltd.	9751	7514	5819	23084	7695	153.9
BHEL	9433	10322	9007	28762	9587	191.75
Tata Steel Ltd.	8411	9346	9129	26886	8962	179.24
Axis Bank Ltd.	7553	6288	5136	18977	6326	126.51
Wipro Ltd.	7205	5919	5705	18829	6276	125.53
HDFC Ltd.	6673	5665	4867	17205	5735	114.7
Larsen & Toubro Ltd.	6457	6255	5568	18280	6093	121.87
Bharti Airtel Ltd.	6455	6956	8726	22137	7379	147.58
GAIL Ltd.	6058	5340	5239	16637	5546	110.91
Mahindra & Mahindra Ltd.	4356	3498	3402	11256	3752	75.04
Hindustan Unilever Ltd.	4349	3351	2730	10430	3477	69.53
Bajaj Auto Ltd.	4266	3922	3536	11724	3908	78.16
Maruti Suzuki Ltd.	2991	2146	3108	8245	2748	54.97
Hero Motorcorp Ltd.	2566	2600	2290	7456	2485	49.71
Hindalco Industries Ltd.	2047	2577	2684	7308	2436	48.72
Cipla Ltd.	2012	1422	1151	4585	1528	30.57
Dr.Reddy's Laboratory Ltd.	1753	1517	1050	4320	1440	28.8
Tata Power Company Ltd.	1703	1538	1013	4254	1418	28.36
Sun Pharmaceuticals Ltd.	663	2026	1454	4143	1381	27.62
Tata Motors Ltd.	600	1926	2344	4870	1623	32.47
Sesa Sterlite Ltd.	66	2487	4386	6939	2313	46.26
Total	241702	231648	202139	675489	225102	4502.07

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It is seen in Table 2 that the estimated contribution made by the Sensex Companies as per the provisions of the New Companies Act, 2013 has amounted to Rs.4502.07 crore. The contribution made by these Sensex Companies alone has constituted 22.52 per cent of the total contribution (Rs.15000-Rs.20000 crores) made by all qualifying companies in accordance with the mandatory provisions of the New Companies Act, 2013.

Summary and Conclusion

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. It is found that a majority of the BSE Sensex Companies are undertaking their CSR activities on two important areas, namely, education and health care. Though the companies are concentrating on different kinds of activities, the education and healthcare top the list in terms of CSR activities. The results of the study show that the estimated contribution made by the BSE Sensex Companies as per the provisions of the New Companies Act, 2013 has amounted to Rs.4502.07 crore. The contribution made by the Sensex companies alone has constituted 22.52 per cent of total contributions (Rs.20000 crore) made by all qualifying companies under the New Companies Act, 2013.

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