

PUBLIC ENTERPRISES AND CORPORATE GOVERNANCE

MPA SEMESTER IV

PAPER : PUBLIC ENTERPRISES AND CORPORATE GOVERNANCE

UNIT IV

TOPIC COVERED : CORPORATE SOCIAL RESPONSIBILITY

**Prof. NAND LAL BHARTI
PROFESSOR AND HEAD
DEPARTMENT OF PUBLIC ADMINISTRATION
UNIVERSITY OF LUCKNOW**

CORPORATE SOCIAL RESPONSIBILITY

Introduction:

We live a dynamic life in a world that is growing more and more complex. Global scale environmental, social, cultural and economic issues have now become part of our every day life. Boosting profits is no longer the sole business performance indicator for the corporates and they have to play the role of responsible corporate citizens as they owe a duty towards the society, where they operate and draw resources from it and as such they are part of society. Corporate Social Responsibility [CSR] is underpinned by public policy and therefore, it has undeniable links with law. CSR is not something new to India and the concept of trusteeship advocated by Mahatma Gandhi, the Father of the Nation was embraced by many companies, in various forms over the years.

CORPORATE SOCIAL RESPONSIBILITY

Brief History of CSR in India

1. **Atharvana Veda** says that “one should procure wealth with one hundred hands and distribute it with one thousand hands”.
2. The **Yajurveda** says that “enjoy riches with detachment, do not cling to them because the riches belong to the public, they are not yours alone”.
3. In the **Rig Veda**, there is also a mention of the “need for the wealthy to plant trees and build tanks for the community as it would bring them glory in life and beyond. Let us walk together, Let us talk together, Let our heart vibrate together”.
4. **Kautilya** also “emphasized ethical practices and principles while conducting business”.
5. **CSR & Islam**: Islam had a law called **Zakaat** which ruled that a portion of one's earning must be shared with the poor in the form of donation.
6. **CSR & Sikhism**: Similar to Islam's Zakaat, Sikhs followed what they called **Daashaant**.

PHASES OF CSR IN INDIA

1st Phase (1850 – 1914)	2ndPhase (1914– 1960)	3rd Phase (1960 – 1990)	4th Phase (1990 onwards)
Mainly Philanthropy and Charity during Industrialization. Organization solely responsible to Proprietor and Manager.	During the Independence struggle CSR used as a tool for Social Development. Organization is for proprietor, managers and employees	CSR under the aegis Of mixed economy. Organizations Responsibility towards proprietor, managers and other Environmental Factors	CSR in a globalized world in a puzzled state. Organizations Responsibility towards Proprietor, Managers, Environment and Public in general.

MODELS OF CORPORATE SOCIAL RESPONSIBILITY

MODELS	FOCUS	MAIN PROPONENT
Ethical	Voluntary commitment by companies to public welfare	M.K Gandhi
Statist	State ownership and legal requirements determine	Jawahar Lal Nehru
Liberal	Corporate responsibilities limited to private owners (shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders, customers, employees, communities, etc.	R. Edward Freeman

PROVISIONS OF CSR IN INDIA

As per section 135 of the Companies Act 2013, the CSR provision is applicable to companies which fulfills any of the following criteria during the immediately preceding financial year:-

- Companies having net worth of rupees five hundred crore or more, or
- Companies having turnover of rupees one thousand crore or more or
- Companies having a net profit of rupees five crore or more

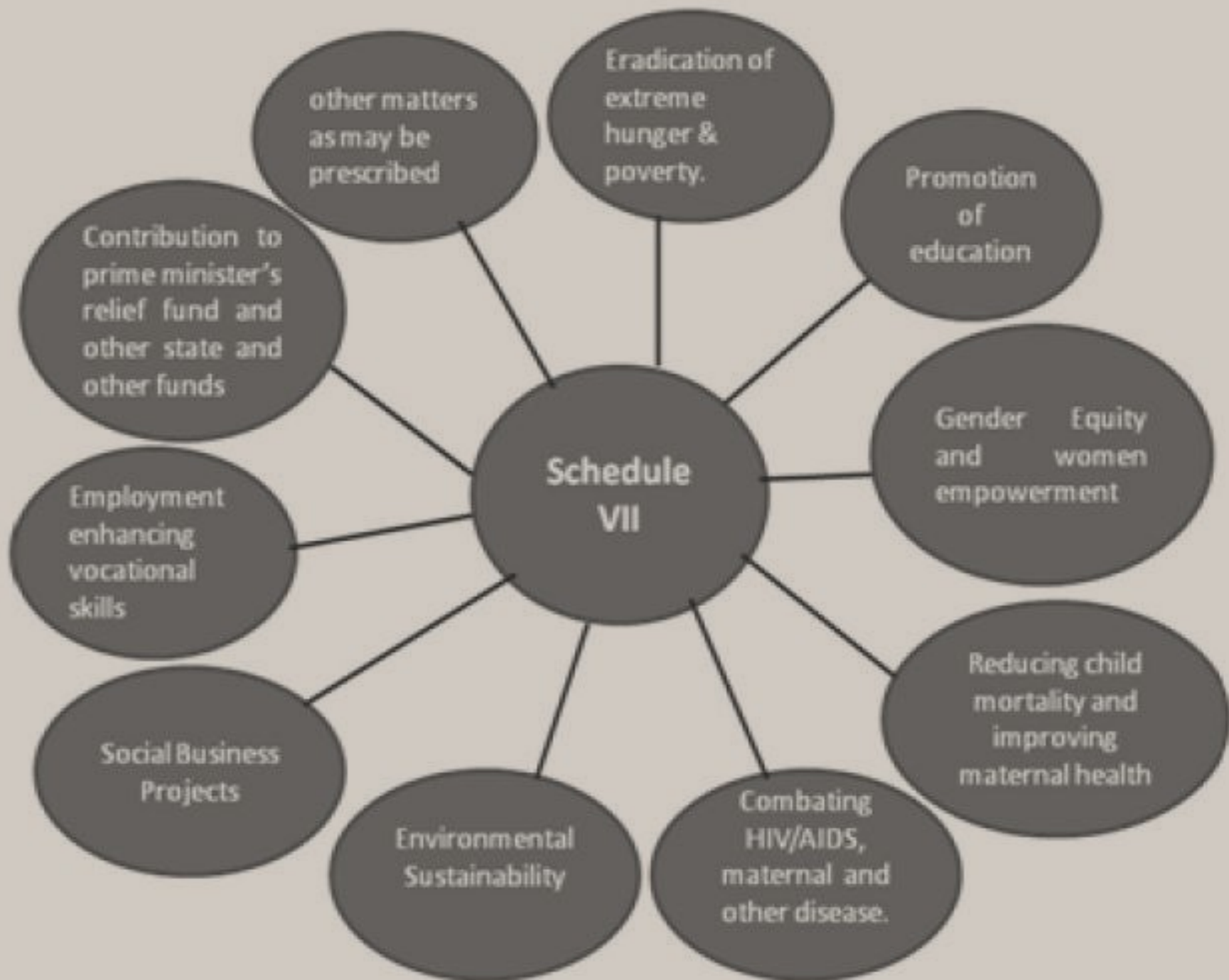
The Board of every company referred to in sub-section (1), shall ensure that the **company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years**, in pursuance of its Corporate Social Responsibility Policy. Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

CSR COMMITTEE

Companies that trigger any of the aforesaid conditions must constitute a Corporate Social Responsibility Committee of the Board to formulate and monitor the CSR policy of a company. Section 135 of the 2013 Act requires the CSR Committee to consist of at least three directors, including at least one independent director. The CSR Committee of a foreign company shall comprise of at least two persons wherein one or more persons should be resident in India and the other person nominated by the foreign company.

The functions of CSR Committee:

1. To formulate and recommend to the Board, a CSR Policy which would indicate the activities to be undertaken in areas or subject, specified in **Schedule VII of the Act**.
2. To recommend the amount of the expenditure to be incurred on the activities undertaken in pursuance of the CSR policy.
3. To institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.
4. To monitor the CSR policy of the company time to time.



PROVISION OF COMPANIES ACT IN BRIEF

1

Constitute a
CSR Committee

2

Formulate a
CSR Policy

3

Spend at least
2% of the
average net
profits of last 3
years on CSR
activities

4

Disclose
composition of
CSR committee
and CSR policy
and its
implementation
in Board's
Report

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