



ISSN: 2350-0328

**International Journal of Advanced Research in Science,
Engineering and Technology**

Vol. 6, Special Issue , August 2019

**International Conference on Recent Advances in Science, Engineering, Technology and
Management at Sree Vahini Institute of Science and Technology-Tiruvuru, Krishna Dist, A.P**

Emerging Trends in Corporate Social Responsibility in India after Companies Act 2013

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ABSTRACT: Social responsibility is not a new concept to Indian Corporate bodies. Indian companies have engaged themselves for social cause since their inception irrespective of any laws. After independence the nature of corporate governance has undergone some changes. CSR has taken several forms like CSR spending by individual companies, CSR in association with NGO's and through their own trusts. The Companies Act 2013, makes it mandatory for companies with a net worth of ₹500 crore or more, or a turnover of ₹1000 crore or more, to spend 2% of their profits on CSR activities. Further, the Act requires the companies to disclose the activities taken up under CSR in the Company's Directors report. This has brought about further changes in the CSR atmosphere in India. This paper highlights some such changes in corporate governance.

KEY WORDS: CSR, Companies Act, NGO's, Crore, Activities, Report

I. INTRODUCTION

Corporate Social responsibility, also called Corporate Social Governance or Corporate Accountability, Sustainable development and Corporate Citizenship is a process of engaging for the social cause, for all the benefits a corporate has enjoyed from the society. The Companies Act 2013 has brought uniformity and clarity in implementation of CSR activities by all the corporates that falls under its ambit. Today companies are engaging outside agencies to suggest and carry CSR activities. These activities are more specific, time bound and outcome based. Corporates are now addressing social issues by identifying the causes, conducting surveys and implementing various strategies to solve the problems in the society without compromising on the interests of the stake holders. Companies are engaging not just their employees but also the general public in addressing social, economic and environmental issues.

II. LITERATURE REVIEW

The Companies Act 2013 has redefined CSR in India. From being a philanthropic activity, today CSR has become a part of any company's general working module.

The Economist Intelligence Unit (EIU) study said that, "corporate citizenship [CC] is becoming increasingly important for the long-term health of companies.

Dhond Arvind in his paper "Corporate Social Responsibility of Indian Business Houses" notes that CSR is used interchangeably with corporate philanthropy.

According to Ghose, Soheli, 2012, In India, CSR is still at a growing stage and has not yet matured completely. As per Wikipedia, CSR has been integrated into business strategies of companies from being purely philanthropic. India CSR reporting survey 2018 opines that the companies act 2013, calls on Companies to partner in contributing to the country's development challenges by unleashing creativity and innovation. Corporates now have autonomy and flexibility to design and implement programmes. This survey also states that the Act will help the companies to demonstrate their commitment towards the Society.

Objective: The objective of this paper is to study the changes in corporate social responsibility that took place in India after the Companies Act 2013.

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Disclosure of CSR activities:

The Companies Act 2013 made it mandatory for corporates to disclose their CSR activities. According to India CSR reporting Survey 2018, 94 % of the companies under the ambit of the Act has reported their CSR activities in 2018-19. Further 86% of companies have referenced their CSR policy and its web-link in their Annual Report, which indicates the changing phase of CSR after companies act 2013.

Scope of CSR activities:

Education (35%), Health and Sanitation (21%) and Environment (14%) are the major areas on which corporates have spent under CSR in FY 2018-19. Gender equality, Arts and Culture has also attracted CSR spending from 0% to 6% and from 3% to 4 % respectively from 2016-17 to 2017-18.



Source: KPMG in India's Analysis based on India's CSR reporting survey, 2018

CSR spending by Indian Origin Companies:

As against the prescribed CSR spending of ₹5779.7 crore in 2014-15, the Indian origin companies spent ₹4708.3 crore, which fell short of expectation. However, there has been a change in the scenario in the FY 2017-18 when Indian origin companies spent ₹7424.9 crore as against the prescribed amount of ₹7096.9 crore.

Source: India CSR reporting survey 2018

Sector wise amount spent on CSR

According to the India CSR reporting survey 2018, Energy and Power sector tops on the list of CSR spending with ₹2464 crore followed by Banking and Financial services spending ₹1353 crore, IT Consulting and Software ₹1100 crore, Mining and Metals ₹647 crore and Automobile ₹533 crore. Industrial manufacturing, Telecom, Media and Entertainment and Chemicals were in the tail end with ₹149 crore, ₹49 crore, ₹25 crore and ₹22 crore respectively.



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Increase in CSR Spending:

The CSRJournal, in its article titled “Top CSR trends and projections for 2019” By Kasmin Fernandes, dated December 26, 2018, estimated the total CSR fund investment by companies in India would cross ₹55,000 crores by March 31, 2019.

Government Collaborations

Government programs, schemes and priorities with special focus on Ayushman Bharat, Aspirational District Programme, Skill India Mission and National Nutrition Mission offer scope for corporates collaborating with the Government. Business to business (B2B) collaboration and joint design and implementation of projects is gradually getting space in board-rooms and are being implemented in States like Andhra Pradesh, Maharashtra, Odisha and Uttar Pradesh.

Increasing role of Technology:

With 2% mandatory spending on CSR activities, corporates have started engaging NGO’s and working on government schemes on a long term basis. Technology will facilitate collection, analysis and interpretation of data in more efficient manner. Big corporate bodies have also set up research centres in Science and Technology to address social issues. Technology also helps in decision making and evaluation of projects and their outcomes.

III. CONCLUSION

The provisions in the Companies Act 2013 will bring about a dynamic change in the CSR atmosphere in India. From the statistics mentioned in this paper, one can observe that companies are falling in line with the mandatory disclosure of CSR activities. This positive trend would help the corporate bodies to be more transparent in their commitment towards the society. With the increasing role of NGO’s, and Government and private partnerships, corporates can play constructive role in addressing our shared social challenges and it attaining sustainable development.

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