

## CORPORATE SOCIAL RESPONSIBILITY OF FOREIGN INVESTORS IN INDIA

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### Abstract

*Corporate Social Responsibility (CSR) is a activity brings direct benefits to marginalized and disadvantaged poor as deprived section of a community. CSR has popularized since 1960's It aims to embrace responsibilities for corporate action and to encourage a positive impact on the corporate environment and community development. As Bhagavad Gita says, "Whatever you have given, you have given only here. Whatever you took, you took from here" the corporate has taken the profit from the society and they should spend some percentage of their profit for social welfare. It results mutual development on both sides (corporate and community) CSR brings cordial relationship between community and corporate. It strengthen the confidence of community on corporate. Some notable companies in India like Ashok Leyland, Infosys, Reliance, Tata etc performing well in CSR activities which focused on women empowerment, Health care services, education, and environment protection and so on. This conducive business environment attract the foreign investors to set up their business operations in India with this backdrop the paper has identified the areas of CSR for Foreign Investors to be focused during their business period.*

**Key Words:** CSR, Foreign Investors, Community, Development.

### Introduction

The IDEA of CSR first come up from our NATIONAL FATHER MAHATMA GANDHIJI, he already told in "Theory of Trusteeship of Wealth". And later it come up in 1953 when it became an academic topic in HR Bowers social responsibilities of the business since then there has been continuous debate on the concepts and its implementation. Although the idea has been around for more than half century, there is still no clear consensus over its definition.

One of the most contemporary definition is form the WORLD BANK group, stating "CORPORATE SOCIAL RESPONSIBILITY" is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in way that are good for business and for development.

CSR can be described as an approach by which a company, recognizes that its activities have a wider impact on the society and that development in society. In turn supports the company to pursue its business successfully and actively manages the economic, social, environment and human rights impact of its activities.

CSR also corporate conscience corporate citizenship or sustainable responsibility/business/responsibility is a form of corporate self regulation integrated into a business

model and the policy function as a self regulatory mechanism where by a business monitors and ensures its active compliance with spirit of law ethical standards.

#### **CSR Activity - Indian Government Guidelines**

The Ministry of Corporate Affairs has prepared a set of voluntary guidelines which indicate some of the core elements that businesses need to focus on while conducting their affairs. These guidelines have been prepared after taking into account the governance challenges faced in our country as well as the expectations of the society. The valuable suggestions received from trade and industry chambers, experts and other stakeholders along with the internationally prevalent and practiced guidelines, norms and standards in the area of Corporate Social Responsibility have also been taken into account while drafting these guidelines. The Companies Bill, 2012 incorporates a provision of CSR under Clause 135 which states that every company having net worth Rs. 500 crore or more, or a turnover of Rs. 1000 crore or more or a net profit of rupees five crore or more during any financial year, shall constitute a CSR Committee of the Board consisting of three or more Directors, including at least one Independent Director, to recommend activities for discharging corporate social responsibilities in such a manner that the company would spend at least 2 per cent of its average net profits of the previous three years on specified CSR activities. It is proposed to have detailed rules after passing of Companies Bill 2012 by Rajya Sabha to give effect to this provision.

According to Schedule-VII of Companies Bill, 2012 the following activities can be included by companies in their CSR Policies:-

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability
- (vii) employment enhancing vocational skills;
- (viii) social business projects;
- (ix) Contribution to the Prime Minister's National Relief Fund or any other fund set by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women.

#### **Formulation Rules**

The Companies Bill, 2012, Clause 135 also provides for constitution of a CSR Committee of the Board. The CSR Committee is required to;

- (a) formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause
- (c) monitor the Corporate Social Responsibility Policy of the company from time to time.
- (d) The format for disclosure of CSR policy and the activities therein as part of Board's report will be prescribed in the rules once the Bill is enacted

PAT of CPSES in the Previous year	Range of the Budgetary allocation for CSR and Sustainability activities (as % of PAT in previous year)
Less than Rs. 100 crore	3%-5%
Rs. 100 crore to Rs. 500 crore	2%-3%
(iii) Rs. 500 crore and above	1%-2%

#### Foreign Direct Investment in India

Foreign Direct Investment (FDI) in India is undertaken in accordance with the FDI Policy which is formulated and announced by the Government of India. The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India issues a "Consolidated FDI Policy Circular " on an yearly basis on March 31 of each year (since 2010) elaborating the policy and the process in respect of FDI in India.

FEMA Regulations which prescribe amongst other things the mode of investments i.e. issue or acquisition of shares / convertible debentures and preference shares, manner of receipt of funds, pricing guidelines and reporting of the investments to the Reserve Bank. The Reserve Bank has issued Notification No. FEMA 20 /2000-RB dated May 3, 2000 which contains the Regulations in this regard. This Notification has been amended from time to time.

Foreign investment in any form is prohibited in a company or a partnership firm or a proprietary concern or any entity, whether incorporated or not (such as, Trusts) which is engaged or proposes to engage in the following activities

- a) Business of chit fund, or
- b) Nidhi company, or
- c) Agricultural or plantation activities, or
- d) Real estate business, or construction of farm houses, or
- e) Trading in Transferable Development Rights (TDRs).
- f) Retail Trading (except single brand product retailing)
- g) Lottery Business including Government /private lottery, online lotteries, etc.
- h) Gambling and Betting including casinos etc.

- i) Business of Chit funds
- j) Nidhi company
- k) Trading in Transferable Development Rights (TDRs)
- l) Real Estate Business or Construction of Farm Houses
- m) Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.

#### **Activities of Indian Companies in CSR**

Here we take some Indian companies corporate social responsibility activities,

##### **WIPRO:**

The Women of Wipro (WOW), council of the company has taken various initiatives to empower women. Three main CSR activities include environment sector, education sector and energy conservation. In the last few years company ensured consistent increase in women empowerment as ten percent increase has been observed in the year of 2004 to 2010. Basic motive of the company is 'we live in the community and the community lives in us'.

##### **ITC**

ITC Limited (ITC) is among one of India's leading private sector companies having a assorted portfolio of businesses. The company has been into the corporate social responsibility initiatives over the past many years and has gained appreciation worldwide.

##### **ITC Limited Has Following Broad Objectives**

Providing information technology (IT) computer education across the different villages. Major focus of the company is on creating and continuous women empowerment.

##### **POSCO INDIA**

Posco is a foreign company from South Korea, they are the one of the steel producers and mining firm in Orisa - India. They doing their business with India from last 40 years. Posco is aiming to give vocational training, health services and feeding program for the poor children in both the steel plant and mining sites among others. They added that "it will be a win win situation both for the company and the local people". They will concentrate on education, health and disaster management.

##### **WALMART**

Bharti Walmart has fully embraced the company's Global Women's Economic Empowerment Initiative. We continue to identify opportunities and open the door to sustainable employment for women across the country. The following is a sampling of the success stories already in place. They have also provided training to more than 3,800 women farm workers with the help of our NGO partners.

##### **Expectations**

They are using various Indian resources for their business purpose so foreign companies should work in CSR more than the Indian Companies. Rather than acquiring the

former's land by paying a lump sum amount in once, companies should go far long term livelihood option for farmer by giving them jobs in their own company and making secure life for family of the farmers. The venders who are rendered unemployed because of FDI, the foreign companies should use those venders as a human capital for their business in India by training them. The Government of India should raise the fund of the CSR more than 2%. They should concentrate their activities in more poverty areas. Rather than foreign companies/investors provide the best opportunities for those livelihood with empowerment, and try to remove regionally imbalance. They should promote small entrepreneur and entrapreneurs, in rural and urban area based on the company policy, so they should formulate their policies related to it. Focus on rural peoples education, health, sanitation, and all basic needs without change of any atmosphere of their rural cultures. The companies also give their work to fulfill the need of ADIVASIS. Make a liability like Indian companies to make sure with social responsibility to take care of all policies through the CSR activities. Like Bhopal gas tragedy in 2-Dec.-94. In their Union Carbide India Ltd there gas leak nearly 3787over dead and more than 50000 people were exposed to methyl isocynate gas and other chemicals. So the Indian government should consider to implement the companies like this and also they give strong regulatory rules for that companies. And also the Government must inspect them properly not like a window dressing mode.

#### **Conclusion**

The Main objective of this exhaustive paper is to identity the area of CSR for foreign investors and brings the attention of government to make rules and regulating their CSR activities as they have allowed FDI in retail sector. A more common approach to CSR is corporate philanthropy this include monetary donations and aid given to non profit organization and communities. In the age of globalised world, the concept of CSR cant be ignored by the corporate firms. Now a day's Firms and workers all together works as a family and work for achieving the common goals. Profit sharing is the main agenda of the corporate houses. Firm have been doing great effort for the achievement of business goals and marring the business goals with social responsibility practices. So that, we can contribute to make better planet to live in.

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