



Corporate social responsibility in Indian legal frame work: A case study on Indian railway catering & tourism corporation limited (IRCTC)

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Abstract

Today, we are living in the globalization era in which companies, businesses and society are more connected and interactive than ever before in the past. The organisations are more aware of their role towards the society therefore CSR is a crucial bridge between organizations and society and also a means to create awareness amongst corporate organisations, NGOs, civic bodies and government of the value and importance of social responsibility to bridge the gap between the privileged and the disadvantaged of society. It facilitates and creates the environment for true good partnership between civil society and business. More and more companies and organizations are creating an interface to encourage industry commerce and globalization that can, in turn, improve the bottom line by social good. More importantly, CSR is the point of junction of various initiatives aimed at ensuring socio-economic development of the community which would be livelihood oriented as a whole in a credible and sustainable manner.

The evolution of CSR in India refers to changes over time in India of the cultural norms of corporates engaged in CSR activities. Businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. CSR is a management concept because companies are integrating social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives.

Keywords: CSR activities, NGO's, Globalization, environment, credible, sustainable, stake, holders, livelihood

Introduction

Today, we are living in the globalization era in which companies, businesses and society are more connected and interactive than ever before in the past. The organisations are more aware of their role towards the society therefore CSR is a crucial bridge between organizations and society and also a means to create awareness amongst corporate organisations, NGOs, civic bodies and government of the value and importance of social responsibility to bridge the gap between the privileged and the disadvantaged of society. It facilitates and creates the environment for true good partnership between civil society and business. More and more companies and organizations are creating an interface to encourage industry commerce and globalization that can, in turn, improve the bottom line by social good. More importantly, CSR is the point of junction of various initiatives aimed at ensuring socio-economic development of the community which would be livelihood oriented as a whole in a credible and sustainable manner.

Business organizations have walked up to the need for being committed towards Corporate Social Responsibility. But still majority have just been taking up some form of philanthropic activities for its stakeholders therefore encouragement a strong corporate culture which emphasizes Corporate Social Responsibility (CSR) values and competencies is required to achieve the synergistic benefits [1]. The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a organization's social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide

returns to society as well therefore, clearly establishes the stake of a business organization in the good health and well-being of a society of which it is a part. More importantly, in this age of widespread Internet communication and growing emphasis on transparency, the employees should help their company in development of a CSR management and reporting framework. Social responsibility means a set of guidelines that claims that an entity whether it is government, Private Corporation or Public organization has a responsibility to society. CSR is a concept that reduces costs and risks, increases the brand value and reputation, effectiveness and the efficiency of employees, improves transparency, and clarity in the working environment of the business house.

According to Carroll, "CSR covers the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time."

According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." [2].

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achieves a balance of economic, environmental and social imperatives while at the same time addressing the expectations of shareholders and stakeholders [3]. Corporate Social Responsibility is not a difficult concept and can be explained as, Corporate – means organized business, Social – means everything dealing with people, the society at large; Responsibility – means accountability between the two. ‘CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment.

The recent surveys have been conducted in India to understand what Corporate Social Responsibility (CSR) means in the Indian context, what the expectations of different stakeholders are and the drivers and barriers facing companies. It traces back the history of CSR in India and suggests that there are four models.

- **Ethical Model by Mahatma Gandhi:** The ‘ethical model’ as suggested by Mahatma Gandhi, where companies voluntarily committed to public welfare and participated in nation building.
- **Statist Model by Jawaharlal Nehru:** Then followed the ‘statist model’ post India’s independence propounded by Jawaharlal Nehru. This model calls for state ownership and legal requirements of CSR.
- **Liberal Model by Milton Friedman:** The ‘liberal model’ by Milton Friedman talks about CSR being limited to private owners or shareholders.
- **Stakeholders Model by R. Edward Freeman:** And the latest is the ‘stakeholders model’ championed by R. Edward Freeman, which calls for companies to respond to all stakeholders needs and all these four models co-exist in India today [4].

Corporate Social Responsibility in India Legal framework

CSR is not a new concept in India and ever since their beginning, corporates like the Tata Group, the Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. 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. CSR programs ranges from community development to development in education, environment and healthcare etc. The ongoing revolution in communication technology and the effectiveness of knowledge-based economies has created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability and the New Economy framework, with an unprecedented stress on communication and image merchandising, have paved the way for a new generation of business leaders concerned about the responses of the community and the sustainability of the environment. It is in this context that we need to understand the new trends in corporate social responsibility [5].

Corporate Social Responsibility the Companies Act, 2013 (‘2013 Act’), enacted on 29th August 2013 on accord of Hon’ble President’s assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhance the interests of minority investors and for the first time legislates the role of whistle-blowers. The new law will replace the nearly 60-year-old Companies Act, 1956 (‘1956 Act’). The 2013 Act is more of a rule-based legislation containing only 470 sections, which means that the substantial part of the legislation will be in the form of rules. The 2013 Act has introduced several provisions which would change the way Indian corporates do business and one such provision is spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been voluntary contribution, by corporates has now been included in law. Basis the CSR provisions, as laid down under the 2013 Act and the draft CSR rules made available for public comments. The Companies Act, 2013: An overview

Section 135 of the 2013 Act states that every company having: Net worth of Rs 500 crore or more, or Turnover of Rs 1000 crore or more, or Net profit of Rs 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board. The committee would comprise of three or more directors, out of which at least one director shall be an independent director. The Board of every company referred to above shall after taking into account the recommendations made by CSR Committee:

CSR rules, Policy and activities as per Schedule VII

Eradicating extreme hunger and poverty, Promotion of education, Promoting gender equality and empowering women, Reducing child mortality and improving maternal health, Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases ensuring environmental sustainability, Employment enhancing vocational skills social business projects contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and such other matters as may be prescribe. The 2013 Act provides that the company shall give preference to the local area and areas around it where it operates [6].

India became the first country to include provisions on CSR in Company Law and make CSR expenditure mandatory for corporates based on pre-specified criteria. In the rest of the world, however, CSR is still a voluntary exercise left to the discretion of the corporates. What is mandatory at most is the compulsory reporting of CSR activities undertaken by corporates in a growing number of countries, although this too is not the case across all countries. Thus, in countries such as Sweden, Norway, the Netherlands, Denmark, France, Australia and China, either government regulations or stock exchange regulations or both require corporates to disclose their CSR activities through sustainability reporting. The distinguishing feature of Section 135 is that it not only makes the reporting of CSR activities mandatory, but goes a step further to mandate CSR activities in the first place [7].

The United Nations Global Compact Created by the United Nations in 1999, the Global Compact is a policy initiative that asks organizations to adhere to 10 universal principles underpinning responsible business practices. The principles cover human rights, labor standards, environmental stewardship and anticorruption. In committing to uphold these principles, organizations also commit to report annually on their progress in doing so.

The ten principles of the UN Global Compact has mentioned below:

1. Principle 1 Businesses should support and respect the protection of international human rights within their sphere of influence; and
2. Principle 2 makes sure they are not complicit in human rights abuses.
3. Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. Principle 4 the elimination of all forms of forced and compulsory labour;
5. Principle 5 the effective abolition of child labour; and
6. Principle 6 the elimination of discrimination in respect of employment and occupation.
7. Principle 7 Businesses should support a precautionary approach to environmental challenges;
8. Principle 8 undertake initiatives to promote greater environmental responsibility; and
9. Principle 9 encourages the development and diffusion of environmentally friendly technologies.
10. Principle 10* Businesses should work against corruption in all its forms, including extortion and bribery. *The tenth principle was added in 2004 [8].

Responsibilities towards consumers

Consumers, employee’s investors, fellow businessmen, community and state represent different interest, groups that should be satisfied by management of business enterprises. Since goods are produced, they are to be sold, and consumers need to be satisfied. In fact, in a market based economy, the consumer is often considered to be “the king”. Firms that produce goods which consumers will buy are successful. The consumer not only produced determines the income of business firms but also affects their success and survival. The goodwill of consumers is, thus, a critical factor for the success of business.

The business responsibilities towards consumers may be summed up in terms of five R’s- the right quality, right quantity, right time, right place and right price.

- To be more specific, business responsibilities towards consumers include the following different purchasing power.
- To produce goods that meets the needs of consumers of different classes, tastes and with different purchasing power.
- To establish fair prices of products consistent with quality, efficiency and reasonable profits to the firm.
- To provide prompt, adequate, courteous, and friendly service to customers,
- To ensure fairly wide distribution of products among all sections of consumers.
- To improve their standard of living in society by producing goods and services which they need.

Top ten CSR companies in India

Table 1

Ranking	Company	Practice on CSR
1	Tata Steel	The CSR programme is managed by three organisations Tata Steel Rural Development Society (TSRDS), Tata Steel Family Initiatives Foundation (TSFIF) and the Tribal Culture Society (TCS)
2	Tata Chemicals	Conservation of whale shark-a rare species. The Company spends Rs 12 cr on CSR every year & wildlife conservation tops priority
3	Mahindra Group	'Nanhi Kali' -focuses on educating the girl child. CSR is a mix of strategic philanthropy, shared values & sustainability.
4	Maruti Suzuki	'Making it Matter'- Community development and road safety propel Maruti's CSR in the fast lane and include construction of household toilets, upgrading
5	Tata Motors	A deep concern for the environment drives Tata Motors undertake green projects that preserve and regenerate local ecologies.
6	Siemens	Raising health awareness in India. Fitness, in general, is still not a high priority for most people in India..
7	L & T	L&T's participates in building a healthy community through continuing initiatives in several areas of healthcare, with a focus on mother & child care and HIV/AIDS awareness.
8	Coca-Cola India	Coca-Cola India has supported community programmes with a focus on education, health and water conservation.
9	SAIL	SAIL has supported maintenance of monuments in Delhi's Lodhi Gardens, and Vedvyas, Saraswati kund in Rourkela.
10	Infosys	Provide schools with computers it has also helped build 60,000 school libraries, Nirmala shouchalayas.

Sources: www.unglobalcompact.com

Indian Railway Catering and Tourism Corporation Limited (IRCTC)

Indian Railway Catering and Tourism Corporation Limited is a Miniratna Category –I Central Public Sector Enterprise falling under the administrative control of Ministry of Railways, Govt. of India. The Company is committed to implement Corporate Social Responsibility & sustainability activities in a planned and time bound manner. The emerging concept of CSR & sustainability goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into company's business process. This policy covers IRCTC's philosophy for define its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large, is titled as the ' IRCTC's CSR Policy'. IRCTC's commitment towards stakeholders is confirmed through its Corporate Mission, Vision and the policies being adopted by the organization.

This policy shall apply to all CSR initiatives and activities taken up at the various zones and locations of IRCTC, for the benefit of different segments of the society, specifically the deprived, under-privileged and differently abled persons. Since CSR includes Sustainability activities also in accordance with Schedule VII of the Companies Act, this CSR Policy shall be taken at par as CSR cum Sustainable Development Policy.

CSR Policy Statement

In alignment of Company's Vision and Mission as mentioned below: Vision "To be the leading provider of high quality travel, tourism and hospitality related services, for a range of customer segments, with consistently high level of customer satisfaction." Mission "IRCTC will establish itself as a leader in the area(s) of hospitality services, Travel and Tourism, packaged drinking water, and Internet Ticketing by providing value added products and services for passengers, tourists and other customers, targeting IR and Non-IR related services alike, building a resilient business portfolio that is scalable and based on core competence."

IRCTC through its CSR & Sustainability initiatives will endeavor to achieve the below-mentioned key Value behind CSR & Sustainability Policy: "To remain a responsible corporate entity mindful of its social responsibilities to all stakeholders including railway passengers, customers, consumers, shareholders, employees, local community and society at large". Objectives and Scope:

CSR & Sustainability activities are being implemented to meet the broad objectives underlined in the Policy:

- a. Focus on margin of project areas of IRCTC/local areas of the zones/ units of the Company as the case may be. For the purpose of the policy, Local Area would constitute of the area(s) falling in the vicinity of the Zones/Plants and locations, where IRCTC carries out its business.
- b. To ensure an increased commitment at all levels in the organisation, to operate its business in an economically, socially & environmentally sustainable manner, while recognising the interests of all its stakeholders.
- c. To directly or indirectly take up programmes that benefit the local communities in & around its area of operations and results, over a period of time, in

enhancing the quality of life & economic well-being of the local population.

- d. To generate, through its CSR initiatives, a community goodwill for IRCTC and help reinforce a positive & socially responsible image of IRCTC as a corporate entity.
- e. Inclusive growth of society with emphasis on development of weaker sections of society and in the backward districts of the country;

Key Areas of CSR activities in IRCTC

As a responsible corporate entity, IRCTC will consistently strive for opportunities to meet the expectation of its stake holders by pursuing the concept of CSR and Sustainable Development, including but not limited to, with focus on the following. CSR & Sustainability Policy includes but is not limited to projects or programs relating to activities specified in Schedule VII to the Act; or Projects or programs relating to activities undertaken by the BoD of a company in pursuance of recommendations of the CSR Committee of the Board as per declared CSR & Sustainability Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act as enclosed. The necessity of taking up new CSR activities / projects during the course of a year, which are in addition to the CSR activities already incorporated in the CSR policy of the company, the Board's approval of such additional CSR activities would be treated as amendment to the policy.

CSR and Sustainability activities will be implemented within the organization through the active involvement of the employees after following the due procedure and transparency norms. In cases where IRCTC does not have the in-house expertise, the services of the following specialized external agencies may be obtained, including but not limited to:

- a. Voluntary Agencies (NGOs)
- b. Institutes / Academic Organizations
- c. Government, Semi-Government, autonomous Organizations or subsidiaries.
- d. Professional Consultancy Organizations, etc.
- e. Stranding Conference of Public Enterprises (SCOPE)
- f. Not for Profit Organizations (NGOs)

CSR activities as in IRCTC

1. eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swatch Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water;
2. promoting education, including special education and employment enhancing vocation skills especially among children, women elderly, and the differently abled and livelihood enhancement projects;
3. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. ensuring environmental sustainability, ecological balance,, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and

- maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
5. protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
 6. measures for the benefit of armed forced veterans, war widows and their dependents;
 7. training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
 8. contribution to 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 the schedule castes, the schedule tribes, other backward classes, minorities and women; contributions or funds provided to technology incubators located within academic institutions which are approved by the central government;
 9. Rural development projects.
 10. Slum area projects, Any other project/activity as may be prescribed by Ministry of Corporate Affairs, Department of Public Enterprises or any statutory body from time to time

Conclusion

Know a day's many large organisations taking steps to improve their corporate social responsibility activities like environmental and social performance through the use of voluntary initiatives such as codes of conduct, environmental certification and reporting, social audits, fair trading schemes and social investment programmes. Corporate and government must work together and through this, they can bring dramatically changes in the welfare schemes of society.

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