

## Strengthening the Healthcare Mechanism through Corporate Social Responsibility Practices in Jharkhand

**Priyanka Kumari**

Research Scholar at Centre for Studies in Science Technology and Innovation Policy, Central University of Gujarat, Sec-30, Gandhinagar, India

### Abstract

Jharkhand is the most 'primary healthcare' deficient state, compared to its neighbours Bihar, Odisha, West Bengal and Chhattisgarh. Recent data also reveals how hundreds of people are dying every year due to industrial activity related pollution, release of radiation waves and diseases caused by coal dust. The present study is significant because symbiotic relationships, negotiations and power relationships between the corporate entities, government, NGOs and the communities with regard to health care have not been explored in depth in the context of India and more specifically in the case of Jharkhand. In this context it also becomes essential to examine whether CSR practices in health care are being followed as per the new Companies Act. Also, whether and how these activities have instituted new relationships within the community and partnerships at local level in the context of better healthcare practices also needs to be examined in this regard. Therefore, Firms have generally projected corporate Social Responsibility (CSR) activities as some kind of compensatory activity, which seeks to balance profit making with social welfare. They also project CSR activities as compensating for any potential harm they may cause to the environment through their economic activities. However, this discourse of the firms has been contested by some scholars who have asserted that CSR does not merely indicate philanthropy or charity, that is, it does not deal merely with what firms do with their money once they have made it but how firms actually make their money. The objectives of the study would be to outline the socio-historical context of CSR activities in India; to examine CSR activities in health care in India, with special reference to Jharkhand state; to examine the policies and everyday practices of corporate, public sector organizations and non-corporate entities engaged in CSR activities in health sector in Jharkhand state and the symbiotic relationships, negotiations and power relationships among these entities; to examine the nature and extent of impact of these CSR activities to various stakeholders involved in health care management in Jharkhand state and to understand the role of government policies and guidelines with respect to CSR activities in health care management in the state.

**KEYWORDS:** Healthcare, CSR, Policies

### Introduction:

The seriousness of the problem can easily be perceived by looking into the current status of Jharkhand in terms of its social, economic and healthcare conditions. Jharkhand boasts of a thermal power plant, two coal power plants, uranium mines, Bauxite and steel Companies and countless cancer and handicapped patients. There have been increasing incidences of various types of cancer and skin diseases around Jharkhand. It is attributed to the presence of polluting industries and the indiscriminate use of toxic and chemical materials. According to National Public Health guidelines, Jharkhand 2013, the surface waters of Jharkhand are contaminated with arsenic, cadmium, chromium, selenium and mercury primarily due to the

discharge of untreated waste water. As a result, the state suffers from a high maternal mortality and infant mortality rate and excessive but often unreported miscarriages, reproductive ailments, genetic deformities, anaemia, diarrhoea, vomiting, fluorosis and a host of skin ailments including rashes and boils. Many of the populations who are residing nearby coal and uranium mines also reported to be migrating from the area to save their children from adverse effects. Government action in this regard has not been effective. Data collected by the State Health Department, to investigate the radiation effects, found 31 out of 712 people to be suffering from health disorders, which may be due to exposure to radiation.

Moreover, Jharkhand is the richest state as compare to other state in terms of mineral wealth. According to Jharkhand economic survey 2016, the state holds 40 percent of India's minerals. The total value of mineral production in the state is amounted to over 3000 crore rupees. Study sought to understand how companies are presently engaging on health and wellness in the India. Companies can help provide access to quality healthcare for employees which could be provide treatment for health issues and create safe working environments, but, here companies can also do more to focus on prevention and monitoring, as well as on the broader concept of human well-being, including addressing a person's mental state. To understand these different issues, reviewed secondary data such as companies report, policies, conducted interview schedule with targeted companies in Jharkhand, how companies are addressing leading health and wellness issues and the underlying issues that affect health and wellness (also referred to as the social and environmental determinants of health). The leading causes of death in the India are non-communicable diseases (NCDs), Such as cardiovascular diseases (CVD) (which cause heart attacks and strokes), cancers, chronic respiratory diseases such as Asthama and diabetes etc. Additional health related issues which can be affect human well-being such as stress, allergy, cold (common ailments), sexually transmitted diseases (STDs), and other infectious diseases. Meanwhile, study has been on identifying the CSR budget, expenditure, which a company spends in a financial year, its implementation strategy, sectors that the company has focused on in its CSR projects, programs, etc.

### **CSR: Concept, Meaning and Definition**

Since the 1950s, CSR and its related terms, such as corporate social responsiveness, corporate social responses, corporate social performance, corporate citizenship, and corporate philanthropy have been conceptualised and mainly originates from the management area (e.g., Carroll 1979; Matten and Crane 2005; Wood 1991).<sup>1</sup> Several definitions of CSR and its relations with healthcare have emerged in the literature over the last two decades. However, one of the most commonly used definitions of CSR is that it is "Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."<sup>2</sup> One of the key words in this definition is commitment. The first definition of CSR is suggested by Bowen (1953), as the social obligation "to pursue those policies, to

<sup>1</sup>Wang S., Literature Review of Corporate Social Responsibility, Springer-Verlag Berlin Heidelberg 2015, Chinese Strategic Decision-making on CSR, CSR, Sustainability, Ethics & Governance.

<sup>2</sup>Corporate Social Responsibility: Meeting changing expectations, p. 3, The WBCSD's definition of CSR, Available at <http://www.wbcd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx>, accessed on 10 Sept. 2017.

make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6). The social obligation view of CSR is the foundation of future research in the CSR area. Following Bowen’s (1953) book, Carroll (1979) identifies the CSR pyramid, which includes four stages of CSR development: economic, legal, ethical, and philanthropic obligations. Further, Carroll (1979) argues that “these four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other” (p. 499).

Corporate Social Responsibility (CSR) activities have generally been projected by firms as some kind of compensatory activity which seeks to balance profit making with social welfare. They also project CSR activities as compensating for any potential harm they may cause to the healthcare through their economic activities. However, this discourse of the firms has been contested by some scholars who have asserted that CSR does not merely indicate philanthropy or charity, that is, it does not deal merely with what firms do with their money once they have made it but how firms actually make their money. Studies located in the European context have pointed to how, in the era of globalization, businesses are no longer free to conduct destructive and unethical business practices such as unfair labour and trade practices, childhood obesity, environmental pollution without a negative response from the public and due to prevailing legislations, which may obstruct them effectively from engaging in such practices. In order to survive in the market for the long run, the importance of conducting sustainable business practices has become an inevitable demand from all the stakeholders of the society.

However, Corporate Social Responsibility (CSR) activities have generally been projected by firms as some kind of compensatory activity which seeks to balance profit making with social welfare. They also project CSR activities as compensating for any potential harm they may cause to the environment through their economic activities. However, this discourse of the firms has been contested by some scholars who have asserted that CSR does not merely indicate philanthropy or charity, that is, it does not deal merely with what firms do with their money once they have made it but how firms actually make their money. Studies located in the European context have pointed to how, in the era of globalization, businesses are no longer free to conduct destructive and unethical business practices such as unfair labour and trade practices, childhood obesity, environmental pollution without a negative response from the public and due to prevailing legislations, which may obstruct them effectively from engaging in such practices. In order to survive in the market for the long run, the importance of conducting sustainable business practices has become an inevitable demand from all the stakeholders of the society. (Rexhepi. G., 2013).

### **CSR under Companies Act, 1956**

Earlier, the Companies Act 1956 did not mention the concept of mandating CSR upon companies as their basic and compulsory duties. However, the companies used to make contributions towards charitable and other funds under Section 293(1)(e)<sup>3</sup> of the

<sup>3</sup> Section 293(1) in The Companies Act, 1956 which reads as - The Board of directors of a public company, or of a private company which is a subsidiary of a public company, shall not, except with the consent of such public company or subsidiary in general meeting,- (e) contribute, after the commencement of this Act, to charitable and other funds not directly relating to the business of the

said Act. These were not directly related with either the business of the company or the welfare of its employee. The said contribution can be made by a public company or a private company, being a subsidiary of a public company for an aggregate amount not exceeding Rs. 50,000 or 5% of its average net profit determined under Section 349 & 350 of the Companies Act 2013. Looking into the history and experiences of Companies Act 1956, it is safe to say that sustainability was not even a least concern for most of the business organizations operating in India until the law mandated them to comply with CSR provision under Companies Act, 2013. As far as CSR under old Companies Act, 1956 in India is concerned, it was completely left upon the whims and fancies of the companies. However, the CSR is not a new concept in India as the practice of CSR is carried out since time immemorial in one form or the other. The best example of CSR can be traced out in the meaning of philanthropy which was actually practiced by the many merchants and traders of ancient and medieval history of India.

### **CSR under new Companies Act, 2013**

India's new Companies Act, 2013 has introduced several new provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources from the society. By performing the task of CSR activities, the companies are giving something back to the society. Corporate Social Responsibilities (CSR) is one of the most important parts under the new Companies Act, 2013 which has been introduced to compensate the loss to society and environment both. The companies on whom the provisions of the CSR shall be applicable are contained in Sub Section 1 of Section 135 of the Companies Act, 2013. As per the said section, the companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April, 2014.<sup>4</sup> With increased media attention and repeated demand from all the stake holders, the companies seems to have started complying with the mandates of CSR regulations for last two years. Considering the increasingly vast and complex business environment, the move of the Ministry of Corporate Affairs is a welcoming step which apart from contributing towards society, plays a major role in various ways which includes attracting and retaining employees in a such a way as to increase morale of the employees along with creating a sense of belonging to the company and contributes towards enhancement of company's own goodwill, positive image along with bringing competitive advantages.

### **CSR activities in in Jharkhand:**

---

company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees] or five per cent of its average net profits as determined in accordance with the provisions of sections 349 and 350 during the three financial years immediately preceding, whichever is greater. Every resolution passed by the company in general meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount up to which moneys may be borrowed by the Board of directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e).

<sup>4</sup> See Section 135 of the Companies Act 2013.

The discussions on CSR practices in Jharkhand in its modern global terms, are relatively new because, being a part of the global market, it is difficult to ignore CSR standard specifically in the manufacturing sector & Primary sector which are more abundant as compared to other sector. In general, it is true that in Jharkhand, the status of labour rights practices, environmental management and transparency in corporate governance are not satisfactory, largely due to poor enforcement of existing laws and inadequate pressure from civil society and interest groups like Consumer Forums. Globally, as CSR practices are gradually being integrated into international business practices and hence is becoming one of the determining factors for market accesses, it is becoming equally instrumental for local acceptability. A focus on CSR in Jharkhand would be useful, not only for improving corporate governance, labour rights, work place safety, fair treatment of workers, community development and environment management, but also for industrialization and ensuring global market access for the area which is the richest state in terms of mineral deposit.

Besides, Companies like SAIL & TATA have been deeply involved with social development initiatives in the communities surrounding their facilities. Jamshedpur, one of the prominent cities in the north eastern state of Jharkhand in India, is also known as Tata Nagar and stands out at a beacon for other companies to follow. Jamshedpur was carved out from the jungle a century ago. TATA's CSR activities in Jamshedpur include the provision of full health and education expenses for all employees and the management of schools and hospitals. In spite of having such life size successful examples, CSR in India is in a very nascent stage. Similarly the introduction and application of CSR concepts and practices carry a long history in Jharkhand and almost all CSR activities are important and indispensable. These activities included donations to different charitable organizations, poor people and religious institutions, maintenance of basic facilities like township, roads, water, electricity and other related thing including healthcare and education. Most of the large business houses are involved in community development work in the form of development of adjoining area without having any definite policy regarding the expenses or any concrete motive regarding financial gains. Moreover, most of the small first generation businesses fall under the informal sector having low management structure and resources to address the social and environmental issues. These limitations drive the top management of local companies to think only about the profit maximization rather than CSR issue which paves a more balanced way for the society and compared to economic development only. Since, CSR entails working with stakeholders it is important to diagnose the stakeholders concerns so that CSR is truly embedded in the society and adjoining areas. By now, many CSR dimensions are practiced in Jharkhand. The buyers group also set guidelines to industries to ensure the standards. Moreover, some buyers from china, Japan visited the sites of steel industries recently and some of the manufacturing concerns found it difficulty in convincing the buyers to have positive attitude towards Jharkhand due to inadequate CSR practices.

**Jharkhand CSR Council<sup>5</sup>:** Jharkhand is the first state to establish “Jharkhand Corporate Social Responsibility Council”. This council is headed by the Chief Minister to coordinate development through CRS funds. The CSR spending has been

<sup>5</sup>Minutes of the Jharkhand Corporate Social Responsibility Council (JCSRC) Governing Body Meeting held under the Chairmanship of Hon'ble Chief Minister, Government of Jharkhand on 01 August 2016 at 12:30 PM in Project Bhawan, Dhurwa, Ranchi. Accessed by 25<sup>th</sup> February 2018

increased from Rs. 376.94 Crore in 2014-15 to Rs. 913.73 Crore in 2015-16. The increase in spending is more than 2.5 times. Jharkhand CSR Council passed resolution that the Department of industries, Mines & Geology, Govt. of Jharkhand will set up a society wherein the companies will deposit 1% of their profit out the mandated 2% of profit to be spent on CSR as per the Companies Act of 2013. The companies have to deposit 1% each for the FY 2015-'16 (i.e. unspent from the proposed CSR budget submitted to JCSRC) & FY 2016-17. Companies have been asked to get back to the Govt. of Jharkhand with their board approvals in case needed on this suggestion within one month. This money deposited with JCSRC would be used for government priorities to improve the lives of people. Presently it would be used for making villages/ Panchayats/Blocks/ ULBs open defecation free under Swachh Bharat Mission.

It will also increase the visibility of utilisation of CSR fund and would result in focussed outcome.

### **Activities identified in Healthcare by CSR Council<sup>6</sup>: Jharkhand**

Channelize CSR activities of Companies, for facilitating comprehensive development of the village/gram panchayats in Jharkhand with clear outcomes/results by dovetailing/synergizing. Advise Companies to take up select/specific interventions under CSR as suggested in the geographical areas of the companies operation, as well as in the backward areas outside the areas of companies operation. As per Guidelines of the Government of India, Central Public Sector Enterprises (CPSEs) are expected to invest CSR funds in BRGF districts and consult the state government on government's priorities and area specific needs.

There are following healthcare activities carried by CSR in Jharkhand  
Renovation of health sub-centres such as repairs, tiling floor, labour room, toilet, white washing etc.) , Solar panel and lamps at the health sub-centres per HSC, Health check-up in hard to reach areas/PTG villages monthly (doctor, nurse, medicines and routine immunisation) to cover 20 villages with one Visit per month per annum, Procurement of equipment (radiant warmers, oxygen concentrator, etc) for special new-born care unit (SCNU), Insecticide treated mosquito nets for households in malaria affected/hard-to-reach one PTG village, Ensure 100% routine immunization, breastfeeding, birth registration, institutional delivery etc. through a village volunteer to help of Sahiya and AWW (Rs. 3000 pm x 12 months + supervision and training cost of Rs. 14000 per annum) per annum per village, Weekly Asha Radio program on health and nutrition to cover 10 lakh women in 30,000 villages in the state (including production and broadcast cost) per annum.

### **Current Scenario of Healthcare in Jharkhand<sup>7</sup>:**

Healthcare is the important basic right for all human being and health infrastructure is another important measure of development of basic amenities. A better health facility means better health of the individuals which may have positive impact on their productivity.

In the last 10 years there has been significant improvement in important health indicators in

<sup>6</sup> Government of Jharkhand, Department of Industries, Constitution of Jharkhand CSR (JCSRC), 2015. Accessed by 26<sup>th</sup> February 2018

<sup>7</sup> The Investment destination Global investors Summit 2017

Jharkhand such as sex ratio, infant mortality rate, less than five mortality rate, full immunization, institutional and safe delivery which are now better than the national average. Jharkhand has a declining IMR<sup>8</sup>, MMR<sup>9</sup>, birth and death rate.

**Fig: Number of Active Health facilities**

	Required as on March 2014	Active as on March 2014	% Shortfall in 2014	Required as on March 2015	Active as on March 2015	% Shortfall in 2015
Sub-centres (SCs)	6060	3958	35.0	6060	3957	35.0
Primary Health Centres (PHCs)	966	330	66.0	966	327	66.0
Community Health Centres (CHCs)	241	188	22.0	241	188	22.0
Sub-Divisional Hospitals (SDHs)		10			10	
District Hospitals (DHs)		24			24	
Mobile Medical Units		100			101	

Source: Rural Health Statistics 2016; Health Management Information System (HMIS) Portal

The Government of Jharkhand is constantly trying to provide accessible and affordable health care for all in order to improve the health status of its population. With the objective of providing quality, equitable, and efficient health care for all, especially the disadvantaged and the marginalized sections of the society, the government has formulated several health schemes. The state has also collaborated with the private sectors, Non- Governmental Organizations (NGO), organized sectors, cooperative sectors, and all the other stakeholders for the improvement of its people's health. The emphasis lies upon building capacities by strengthening health infrastructure, through renovations of the existing health centre buildings and construction of new health care facilities with basic amenities to advance health care services. Along with enhancing skills of health workers through training programmes, recruitment of qualified health workers, particularly specialised doctors in all the First Referral Units (FRUs) and Community Health Centres (CHCs), will be done for the delivery of quality health care services. The focus is also on reducing the maternal and the infant mortality rates, as well as promoting institutional and safe deliveries. The government also emphasizes on increasing the number of full immunisation cases among children, supporting facility-based and home-based newborn care, and creating awareness about family planning practices. In the Annual Health Plan, 2015-16 of the government, the targets are as following:

To reduce MMR from 219 in 2011 to 100 in 2017 per 100,000 live births, IMR from 37 in 2013 to 25 in 2017 per 1,000 live births, and TFR from 2.8 in 2012 to 2.1 by 2017.

To reduce and prevent anaemia in women (aged 15-49 yrs) from 70.4 per cent to 28 per cent by 2017. To decrease the annual incidences and mortality from tuberculosis by half as compared to the rates that prevailed during 1990. Government have taken initiative to reduce the prevalence of leprosy to less than 1 per 1,000 populations in all the blocks of the state. Finally to diminish the annual parasite (malaria) incidences

<sup>8</sup>IMR-Infant Mortality Rate (per 1000 live births)

<sup>9</sup>MMR-Maternal Mortality Rate (per 100000 live births)

from 2.93 to less than 1 per 1,000 populations, and microfilaria prevalence to less than 1 percent in all the districts of the state.

The government also aims at eliminating Kala-azar by 2017, particularly in the worst affected four districts of the state. To improve the sex ratio (children 0-6 years of age) from 943 females per 1,000 males to 950 females per 1,000 males by 2016-17 is another goal of the government.

### **Health issues attributed to the local inhabitant by major companies Jharkhand**

Health is a prerequisite for human development and is an essential component for human wellbeing. The health problems of any community are influenced by the interplay of various factors, which apart from biological and epidemiological factors also include the social, economic and political factors. The common beliefs, customs, and practices related to health and disease in turn influence the health-seeking behaviour of the community. There is an agreement that the health status of the tribal population is very poor, and is worst among the primitive tribes, because they have distinct health problems, governed mainly by multidimensional factors such as habitat, difficult terrain, illiteracy, poverty, isolation, superstition and deforestation. The Indian Council of Medical Research (ICMR; GoI 2015) through its various national institutes and centres collects data on some diseases in certain states and among some tribes. Field Survey and qualitative data of the stakeholders and the hospitals/NGOs which are working with local inhabitants are utilized to make conclusions. Based on these, below are some broad generalizations.

The diseases prevalent in local inhabitants by coal, Steel and Iron companies which has been broadly classified into following categories.

Malnutrition – Low birth weight, under-nutrition of children, lower body size of adults, anaemia. Iron and vitamin A and B deficiency, Maternal and child health problems – Neonatal mortality, acute respiratory infections, and diarrhoea, Communicable diseases – malaria, filaria, tuberculosis, leprosy, skin infections, sexually transmitted diseases, HIV, typhoid, cholera, diarrheal diseases, hepatitis, and viral fevers.

Hereditary diseases such as the Hemoglobinopathies (Sickle Cell), Mental health problems – especially in the areas affected by conflicts, Speciality problems – especially the orthopaedic and surgical problems, gynaecological problems, oro-dental problems and eye problems, Non-communicable illnesses – hypertension, stroke, diabetes, and cancers.

According to Steel Workers Federation, CITU said that, “60 to 80% fatal accidents in steel plants are faced by the contract workers and mostly, by falling from a height. He suggested for adequate supply of protection appliances, proper practice and involvement of trade unions. Safety, Health & Environment plays a very important role in sustainable industrial development but a systematic approach towards these issues is missing. S SMohanty, Director (Technical), SAIL and Chairman, JCSSI in his inaugural address said, “Systematic approach, synchronized efforts, personal concern, safety training and risk prevention mechanism only, can prevent fatal accidents in steel plants. There are three mines of UCIL in east singhbhum such as Jaduguda, Bhatin, Narwapahar. The three mines are located within 3km of range. So that here radioactive contamination from mines has a caused myriad of negative health outcomes in the mostly tribal communities living in the area.

**Arsenic in the water in coal field area of Jharkhand:** The coal fields of Bachara and Piprawar areas of Jharkhand have contaminated the waters of the Damodar and its tributary such as west Bengal. Arsenic contamination arises mainly due to the dumping of waste from the coal mines along the river bed. It may still affect the local habitants especially during summer season when the consumption of water increases many folds. People of this area are consuming water from several years. Effects of arsenic will be there if the people of the area consume water containing arsenic for longer periods. So that the real truth is that people of the area are ignorant about this toxicity. Few people know about this but due to lack of pure source of water they are helpless and are forced to depend on the contaminated water. Meanwhile, Ground water mainly of coal field areas are affected with nickel, copper, flouride, iron, zinc etc. Ground water in the Bauxite mining areas in Lohardaga district and iron ore mining areas in Singhbhum district are contaminated with iron.

Many especially children of the coal fields suffer from dysentery and diarrhoea.

According to the residents of the coal field, it is because of consuming contaminated water. About 60% of the local people are affected with seasonal allergies. Other diseases found were tuberculosis, headache, joints pain (pain begins at the age of 5 to 10 years, especially in North Karanpura), gastric, cough and cold and asthma.

**Health impacts due to Uranium mines in Jadugoda, West singhbhum:** According to different N.G.Os working among the tribal peoples of Singhbhum said the radiation may not bring sudden dramatic illness but slowly undermines the health of the people living in the surrounding villages. A health survey carried out by the State Health Department, to investigate the radiation effects, found 31 out of 712 people to be suffering from health disorders, which may be due to exposure to radiation. The diseases include blood in cough, ulcer, swelling of bone joints, asthma, eye problems, etc

UCIL is planning to open another uranium mine at Bagjata panchayat in Mosabani. Other than mines there are three tailing ponds; a fourth is in the offing. The contents of these dams are highly radioactive. The people in the Jadugoda area are affected not only by radiation from tailing dams but also by lack of safety at the mines. Fatigue, lack of appetite, respiratory ailments are wide spread. Increases in miscarriages, impotency, infant mortality, Down's syndrome, skeletal deformities and different skin diseases, children with big heads, thalassemia have been reported. The incidence of tuberculosis among the miners is very high.

### **Policies and Practices in CSR activities in India, with Special Reference to Jharkhand:**

The first formal endeavour by the Indian Government to put the CSR issues on the table was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). Erstwhile to this, the importance of CSR was debated in the context of corporate governance reforms, such as in the Report of the Task Force on Corporate Excellence by the Ministry of Corporate Affairs (MCA, 2000). While the report made a business case for CSR as well as highlighted the social benefits stemming from it, the discussion was recommendatory in nature and there were little actionable points. It is in the Voluntary Guidelines of 2009 that the core elements of a CSR policy was spelt out that included care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development. The Guidelines specifically drew a distinction between philanthropy and CSR activities, and highlighted the voluntary

nature of CSR activities that go beyond any statutory or legal obligation. The Guidelines of 2009 were followed in 2011 by the National Voluntary Guidelines of Social, Environmental & Economic Responsibilities of Business, also issued by the MCA (MCA, 2011). These guidelines were reportedly based on the inputs received from ‘vital stakeholders’ across the country and laid down nine principles for businesses to function in a responsible manner to promote inclusive economic growth at the national level. As in the case of the 2009 Guidelines, the 2011 Guidelines were voluntary in scope wherein corporates were urged to adopt all the nine principles, and to report their adherence to the guidelines based on an ‘apply-or-explain’ principle. Interestingly, while one of the implementation strategies suggested in the 2009 Guidelines was to earmark “specific amount related to profits after tax, cost of planned CSR activities, or any other suitable parameter,” no such suggestion was included in the 2011 Guidelines. The transition from a voluntary CSR regime to a regulated regime came when the Securities Exchange Board of India (SEBI) required the top listed 100 companies, as part of Clause 55 of the Listing Agreement, to mandatorily disclose their CSR activities in the Business Responsibility Reports (BR Reports) accompanying the Annual Reports. This, SEBI opined was in the larger interest of public disclosure and represented a move towards integrating social responsibility with corporate governance. The most ambitious attempt at mandated CSR activities for companies came with the enactment of Section 135 of the Companies Act 2013 (MCA, 2013). As stated in the introduction, Section 135 made CSR spending as well as reporting mandatory for the very first time in India and brought the CSR activities of Indian corporates under the purview of corporate law. Specifically, the provisions under Section 135 requires companies with net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more (i) to appoint a CSR Committee of at least 3 directors (one independent director), and (ii) under the guidance of the CSR Committee, 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, in pursuance of its Corporate Social Responsibility Policy. While the quantum of CSR spending along with reporting has been mandatorily set under Section 135, there is some inbuilt flexibility in the law in terms of a company’s choice of its CSR activities. Instead of rigidly defining the boundaries of CSR, the act broadly specifies in Annexure VII of the Act, the scope of social responsibility in terms of a list of activities that the corporate can potentially undertake, leaving the choice of activities to its discretion. So far as compliance to Section 135 is concerned, the law adopts a comply-or-explain approach, with no explicit penalties for non-compliance. Subsequent to the passage of the Act, the Ministry of Corporate Affairs notified the Rules with respect to CSR on February 27, 2014. Apart from listing out specific activities on which the companies are free to spend the amount earmarked under their CSR Policy. The Rules guard against self-serving expenditure by companies by specifying that CSR activities that benefit only the employees of the company and their families shall not be considered as CSR spending under the provisions. However, companies may build CSR capacities of their own employees through reputed institutions with the proviso that such expenditure cannot exceed five percent of the total CSR expenditure made by the company in that financial year. The Rules framed under Section 135 of the Act, came into force from April 1, 2014. With the enactment of Section 135 of the Companies Act, 2013, as observed by the Ministry of Corporate Affairs in the Report on the Standing Committee on Finance (LSS, 2010), 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.

The regulatory approaches entail the extent to which the government influences CSR behaviour of firms in two respects, first with respect to reporting of CSR activity, and second with respect to the amount of spending for CSR activity. Based on this, one gets three types of regulatory regimes, namely (i) voluntary reporting and voluntary spending (ii) mandatory reporting but voluntary spending, and (iii) mandatory reporting and mandatory spending. Much of the policy debates around the world is with respect to whether CSR reporting should be voluntary or mandatory i.e., whether firms should be required by laws and regulations to report their CSR activities.

The issue of mandating CSR essentially pertains to the question of whether corporations are required by laws and regulations to report/disclose its CSR activities or whether the decision to report is to be left to the business judgment of the corporation. Next one is the issue of mandatory CSR reporting has gained prominence in recent years following the global financial and economic crisis in the 2000s, a string of corporate misconduct and failures, and growing threats from business operations to environmental sustainability from business operations, all of which have created a 'trust deficit' between corporates and their stakeholders (KPMG-UNEP, 2010)

Mandatory CSR under Section 135 of the Companies Act 2013 have steadily acquired the mantle of being socially responsible as is evident from a manifold increase in the proportion of companies reporting their CSR activities over the years. This upward trend has taken place in a regime where both CSR spending and reporting were voluntary, indicating that there is a strong business case for companies to be socially responsible. This is borne by the result, albeit preliminary, of a positive relationship between CSR and firm performance, as measured by ROA and market value. Similar to the overwhelming evidence existing in the context of developed countries, the analysis of the top 500 companies in India does show that a firm's social engagement is being positively valued in the market. In light of these findings, it is important to address the prospects and challenges associated with Section 135 in the near future.

Jharkhand state government recognises good CSR work done by many companies, especially CPSEs and some big private sector companies in Jharkhand. Meanwhile, there are non- companies like charitable trusts/NGOs and also high value individuals who are investing in CSR in Jharkhand. These companies have been doing CSR activities, although before their mandatory provisions on CSR incorporated in the companies act.

## Jharkhand CSR Council<sup>10</sup>

Channelize CSR activities of Companies, for facilitating comprehensive development of the village/Gram panchayats in state with clear result by dovetailing/synergizing. Ensure CSR amount as per the companies act, calculated on the basis of annual turnover and net profit of the companies operating in Jharkhand which is fully invested in state itself.

Advise companies to take up specific interventions under CSR activities in geographical areas of the companies operation as well as in the remote and backward areas outside the areas of companies operation. As per the guidelines of the government of India, CPSEs are expected to invest CSR funds in BRGF districts and consult the state government on government priorities and area specific needs.

- Monitor and review the CSR activities of the companies.
- Ensure the government departments at the state and the district administration are kept fully informed by companies about the CSR activities.
- Ensure that the companies take up activities to fill the critical gaps and strengthen government schemes/programs and not duplicate activities.
- Channelize CSR funds to improve services in the most marginalised and unprivileged community in the state.
- The overarching objective of the CSR council is to ensure that the CSR funds are effectively and fully used for the overall development to the state with clear outcomes and outputs.

### Findings and conclusions:

The concept of CSR is new and developing in a considerable way. The study mapping highlights that the corporate sector in Jharkhand is taking new-fangled steps and showing major concern in initiating the following issues regarding healthcare and the issues of social development under the purview of CSR.

The activities mainly focus on education, health care, rural infrastructure, youth and women empowerment and environment.

Companies focus significantly on healthcare activities, much of spend tends to be focused on health camps and building PHC and hospitals or donating to hospitals for upkeep of facilities.

Health camps tend to have a short-term orientation and are number driven. Setting up and running hospitals are often poorly targeted. Most of the CSR initiatives target nearby villages and communities. The programs involve the welfare of village children, youth, women and elderly people as their major beneficiaries. The main aim/motive to implement the CSR activities is to build a good rapport and maintain harmony with the neighbouring communities/villages, and doing good deeds for the society or community development as a whole. It is found that the Public Sector companies in Jharkhand are utilizing their 2% of their net profit in a planned and regular ways as compared to private and MNC sectors. According to Central Public Sector Enterprises (CPSEs), all CPSEs having PAT above Rs. 500 Crores in a year, the range of budgetary allocation for CSR and Sustainability activities has been raised to 1%-2% (effect from 1<sup>st</sup> April, 2013). All CPSEs shall strive to maximize their

<sup>10</sup>Minutes of the Jharkhand Corporate Social Responsibility Council (JCSRC) Governing Body Meeting held under the Chairmanship of Hon'ble Chief Minister, Government of Jharkhand on 01 August 2016 at 12:30 PM in Project Bhawan, Dhurwa, Ranchi. Accessed by 25<sup>th</sup> February 2018

spending on CSR and Sustainability activities and move towards the higher end of their slabs of budgetary allocation. Majority of the large Public Sector enterprises have separate management policy for their CSR implementation i.e. CCL, MECON, UCIL, BCCL etc. But most of the private and MNC sectors have CSR initiatives on need based, if they allocate a fixed budget for CSR initiatives, they can really uplift the poorer sections of society and be a part of sustainable development. The corporates are integrating their business values and operations to meet the expectation of all stakeholders i.e. customers, employees, regulators, investors, suppliers and the community. Companies which are actively involved into CSR, participate in 'need identification' either through a survey/baseline/need assessment or through discussion with the representatives of the local self-government, Panchayat or village headman, or other influential groups in the area. Based on this process of need identification, they are planning and implementing CSR programs. One might see a wide spectrum of activities ranging from under the swachh Bharat abhiyan, construction of Toilets and in schools, providing drinking water facility, arranging health check-up camps; providing mobile health services; conducting income generating activities for youth and women; establishing children's education and women literacy program etc. Basic infrastructure, especially in rural areas is still lacking, with respect to sanitation and water management.

It is found that these programs are with some interventions affecting the beneficiaries in the area of primary education, Anganwadi, nutrition, In healthcare- awareness camp, Primary healthcare centres, CSR Clinics for Divyang such as to examine and enlist handicapped persons and vocational training for adolescent girls and boys.

The corporate sectors identified their stakeholders as employees, customers, shareholders, suppliers, local communities etc. As CSR point of view the major stakeholders are employees and local communities at large. The data shows that some corporates take the stakeholder into confidence to assess the development priorities/or target the organization supported.

CSR activities are also aligned with planned or ongoing organization policies, programs, and processes. It is a better thing that CSR comes under the lens of Jharkhand Government, therefore state government formed Jharkhand CSR council (JSCSRC). Very less people aware that CSR spending and CSR disclosures have become mandatory after the issuance of voluntary guidelines in 2009 by the ministry of corporate affairs. India is the only country where CSR activities mandatory for large and profit making companies under corporate law. In some other nations it is a voluntary issue. Some other corporates are still debating whether disclosures should be voluntary or mandatory. So that there is a common thin king among all the corporates that CSR is a recent phenomenon finagled on them. But if we go back to history we found in KautilyaArthashastra which stated "In the happiness of his subject lies his happiness; in their welfare his welfare; whatever please himself he will not consider as good but whatever please his subject he will consider as good. Therefore the king will ever be active and discharge his duties; the root of wealth is activity and of evil its reverse." The beginning attempt in India was the issuance of corporate social responsibility voluntary guidelines in 2009 by the Ministry of corporate affairs. Same guidelines followed in 2011 by the National voluntary guidelines of social, environmental and economic responsibilities of business which is issued by the Ministry of corporate affairs. The modifications from a voluntary corporate social responsibility to mandatory CSR occurred when SEBI asked the top listed hundred companies to mandatorily disclose their CSR activities in their business responsibility reports assimilated in Annual reports. Hence, major development came with the

enactment of section 135 of the companies Act 2013 that made CSR spending as well as reporting mandatory for the first time in India. Every detail could not be mentioned here but the most important thing to mention that law needs expenditure of at least 2% of the average net profit made during the three instantly preceding financial years. Annexure VII of the companies Act section 135 mentioned that the CSR activities to be undertaken by the companies mainly includes eradication of hunger and poverty, promotion of education, promote gender quality, empowering women, certifying environmental sustainability, employment improving skills, social business projects and contributions to Prime minister's Relief fund and etc. Besides, the major activities in CSR in Jharkhand which is mainly focused in the area of drinking water, sanitation, health and skill improvement training. Increasing incidence of CSR by the companies in the state was activated mainly by the district administration and some of the influential politician where the companies existed. There are most important limitation that comes in the implementation of CSR is that several companies do not have the expertise and core competency in the field of CSR. As an outcome they apply services of the NGOs, and Trusts to carry out assigned activities. It is high time where companies should try to develop expertise and core competency to implement the related projects. Meanwhile there are another challenge comes when the companies consider the running expenditure on existing hospitals as CSR expense by just extending the facility to the people of surrounding areas. Selection of CSR projects is such a big issue in Jharkhand. Absence of government coordinating body amongst the companies at present is bringing about in a lot of duplication of resembling projects.

### References:

- Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance',. *The Academy of Management Review*, 4(4) 497-505.
- Crane, A., Matten, D., & Spence, L. (2007). *Corporate Social Responsibility Readings and Cases in a Global Context*. US: Routledge.
- Corporate Social Responsibility: Meeting changing expectations, p. 3, The WBCSD's definition of CSR, Available at <http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx>,
- Government of Jharkhand, Department of Industries, Constitution of Jharkhand CSR (JCSRC), 2015. Accessed by 26<sup>th</sup> February 2018
- The Investment destination Global investors Summit 2017
- Minutes of the Jharkhand Corporate Social Responsibility Council (JCSRC) Governing Body Meeting held under the Chairmanship of Hon'ble Chief Minister, Government of Jharkhand on 01 August 2016 at 12:30 PM in Project Bhawan, Dhurwa, Ranchi
- Nitish Priyadarshi, Impact of Mining and Industries in Jharkhand (<http://www.sacw.net/article302.html>), in *American Chronicle*, October 28, 2008.
- Wang S., Literature Review of Corporate Social Responsibility, Springer-Verlag Berlin Heidelberg 2015, Chinese Strategic Decision-making on CSR, CSR, Sustainability, Ethics & Governance.