

CORPORATE SOCIAL RESPONSIBILITY IN INDIA; A SPECIAL CASE STUDY OF UTI MUTUAL FUND

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I. Abstract

Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. World is being integrated day by day. Corporate Sectors from across the world carry out their business activities in many countries. Similarly people across the world are becoming better aware of their rights about natural resources like minerals, forest, water and air. Now, they are demanding very high standard for environmental protection from corporates carrying out business activities in their geographies. Therefore corporates are increasingly participating in various social, cultural and other developmental activities in the place of their business; thereby they are able to present better image for themselves among the people, the local administration and to the world bodies like UNIDO and face less resistant in their business activities.

In India, most of the companies whether listed or not, private sector or public sector carry out more or less some CSR activities. The CSR activity is now not limited only to manufacturing or high polluting industries but can be observed across sectors. Service industries such as financial services industries are also heavily participating in the CSR activities in India and across the world. Services sectors have realized that, for better corporate image among the people, they also need to come forward and participate in the social and cultural activities of the people, where they have been carrying out their business activities. The companies generally design and carry out such CSR activities which are align to their core business activities, and the same applies to service sector also.

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In Unit Trust of India (UTI) was established as a statutory organization in 1963, with the main aim to pull the savings from public and invest in various financial securities, hold, and transfer and sell them to derive dividend, capital appreciation and then distribute the benefits among the unit holders. In this process UTI has been pulling investment from the people having surplus funds and investing in the sectors having scarcity of funds, which helped economic development. UTI faced financial problem for the second time after the Ketan Parekh scam a Mumbai based Stock Broker in the year 1998 some of the schemes, which forced Government of India to bi-furcate UTI in two separate entity namely Specified Undertaking of UTI, which managed the schemes that had guaranteed returns and the second one is UTI Mutual Fund under which pure mutual fund schemes were maintained (which do not have any guarantee of capital as well as returns but professionally managed according to respective scheme investment objectives) and came under the purview of Securities and Exchange Board of India (SEBI) in the year 2003. UTI Asset Management Company Limited was formed to manage UTI Mutual Fund schemes and registered with SEBI as an Asset Management Company.

Like other financial services organization UTI AMC, has been always aligned its business goals with social goals. It has launched and successfully managing many socially oriented schemes from which UTI AMC as a corporate has been deriving income regularly, lacs of investors have derived benefit from these schemes in the form of capital appreciation or dividend and best corporates in need of funds have been funded through these schemes and thus helped economic development in the country.

II. Definition

Corporate Social Responsibility is an evolving concept which currently does not have a universally accepted definition. Corporate Social Responsibilities means, the way corporates or firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent manner and thereby establish better practices within the corporate, create wealth and improve society.

According to Bowen, H.R (infact it was he who brought the concept of CSR first in 1953 through his keynote work, "Social Responsibilities of the Business"); social responsibility is defined as "the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of society". Every business entity is expected to undertake those activities, which are essential for the betterment of the society. Each and every aspect of business has a social dimension. Corporate Social Responsibility means open and transparent business practices

that are based on ethical values and respect of employees, communities and the environment. It is designed to deliver sustainable value to society as well as all stakeholders.

One of the most contemporary definitions is from the World Bank Group, stating, "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development.

According to the Indian Corporate: "Sustainable development implies optimizing financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and environment".

III. Objectives of the study

- To understand the concept of Corporate Social Responsibility (CSR)
- Corporate Social Responsibilities and law
- Factors Influencing Corporate Social Responsibilities
- Advantages of good Corporate Citizenship
- Understanding the Difference between CSR and Philanthropy
- Reporting framework of CSR
- CSR activities in UTI AMC

IV. Methodology

This paper examined the necessity and importance, of Corporate Social Responsibilities (CSR) activities as a measure that has been adopted in the corporate sector in India and across the world. A detailed study has been conducted to understand the CSR activities performed by Unit Trust of India (UTI), now UTI Asset Management Company Limited (UTIAMC). Benefits derived by UTI AMC as well as other stakeholder out of such CSR activities over the years. To analyze and understand CSR activity in general and at UTIAMC in particular data has been collected mainly from various published and unpublished reports, journals, books and various seminars from secondary sources.

V. History of CSR in India

Corporate citizenship is a commitment to improve community well-being through voluntary business practices and contribution of corporate resources leading to sustainable growth. It is not a business activity mandated by law or moral or ethical in nature but expected of the corporates. Corporate social responsibility is achieved when a business adapts all its

practices to ensure that it operates in a manner that meet or exceed the ethical, legal, commercial and public expectations.

J R D Tata, the Chairman of Tata Group believed that "to create a good working conditions, to pay the best wages to its employees and provide decent housing to its employees are not enough for the industry, the aim of an industry should be to discharge its overall social responsibilities to the community and the society at large, where the industry is located." Guided by this mandate, Tata Steel has been using its skills and resources, to the extent possible to give back to the community a fair share of the product of its efforts.

Tata Steel was the first company to establish labour welfare practices, even before these were made mandatory laws across the world. The company had instituted eight-hour work day way back in 1912, free medical aid in 1915, a Welfare Department in 1917, leave with pay, Workers Provident Fund and Workmen's Compensation in 1920 and Maternity Benefit for ladies in 1928. Thus, in India, we can say that J R D Tata and Tata Steel is the founder of CSR.

VI. CSR activities: legislative Guidelines in India

Ministry of Corporate Affairs, Govt. of India has prepared a set of voluntary guidelines which indicate some of the core elements that businesses need to focus on while conducting their affairs. As per that, directives have been enumerated on CSR initiatives to be undertaken by corporate based on the feedback of the industry, experts and government.

The suggested pointers include the following: care for all stakeholders, ethical functioning, respects for workers' rights and welfare, respect for environment, respect for human rights, and activities for social and inclusive growth.

The Companies Bill, 2012 incorporates a provision of CSR under Clause 135 which states that every company having net worth Rs. 500 crores or more, or a turnover of Rs. 1000 crores or more or a net profit of rupees five crores 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 clearly also has guidelines for Public Sector Enterprises.

VII. Factors influencing CSR

Many factors influencing CSR in the modern world, prominent among them include:

- Lowering of the **role of government** over time in the social sector and social development stage particularly with the coming up of large corporate in the private domain over the years. Government has now relieved itself of many schemes and has largely become a facilitator of requisite legislations to impose CSR on private entities.
- Globalization coupled with focus on cross border trade, multinational enterprises and global supply chains increasingly raising CSR related concerns related to human resources management, environmental issues, health and safety of people located near production site.
- Governments and multilateral bodies like United Nations, United Nations Industrial Development Organization (UNIDO), Organization for Economic Co-operation and Development (OECD), International Labor Organization, World Health Organization have developed guiding principles and norms for acceptable conduct. In fact many innovative offerings have come up in the Private Public Partnership (PPP) sphere.
- Development and advances in communication systems such as internet, cellular phones are making it easy to track corporate activities and disseminate information about them. Non-Government Organizations regularly bring out concerns and draw government and corporate attention.
- Investors as well as consumers are increasingly participating in responsible business model.
- Citizens in many countries are making it clear that corporates should follow social and environmental standards irrespective of geography of operations.
- Business houses are increasingly recognizing that adopting an effective CSR approach can reduce the risk of business disruption, open up new opportunities and enhance brand and company reputation.

VIII. Advantages of CSR

There are many advantages that can be derived from good CSR; few are:

- CSR creates a favorable public image, which attracts customers. Branded products of a company with high CSR standard attracts very high premium and higher acceptance in the market among consumers.
- It builds positive image among employees and in turn increases employee loyalty.
- Society gains through better neighborhoods and create better employment opportunities for the communities.

- Companies' involvement in CSR activities can avoid excessive regulations or government interventions.
- Financial Institutions are increasingly incorporating social and environmental criterions while assessing projects.
- Triple bottom line "People, Planet and Profit" approach is getting increasingly adopted by companies for sustainable growth.

IX. INDIAN LAWS AND CSR

Government regulations and public policies provide only bare minimum involvement by corporates in CSR activities. The laws that take care of CSR in India are:

- **Factories Act 1948:** This act provides for adequate safety measures and to promote health and welfare of the workers employed in factories. The Act also provides for women employees and young persons (including children and adolescents), annual leave with wages.
- **Employees' State Insurance Act, 1948** provides for certain benefits to employees in case of sickness, maternity and employment injuries.
- **Workmen's Compensation Act' 1923** provides for statutory liability on the part of the employer to discharge his moral obligation towards his employees when they suffer from physical disabilities and diseases during the course of employment in hazardous working conditions. The act also helps the destitute of workmen by the "accidents" and from the hardships arising out of such accidents.
- **The Water (Prevention and Control of Pollution) Act 1974 and Air (Prevention and Control of Pollution) Act'1981** provides for actions against such activities that pollute water and air.
- In 1986, Government of India enacted the Environment Protection Act to provide for the protection and improvement of environment and prevention of hazards to human beings, other living creatures, plants and property.

X. CSR ACTIVITY IN UTI AMC:

UTI AMC has been over the years adopted a policy to integrate some of its core businesses along the line of CSR and has since been success in it to a large extent. Moving forward these scheme related CSR activates will remain within the heart of UTI in the days to come and expected to contribute significantly to the income of UTI AMC.

Socially oriented schemes of UTI Mutual Fund

1. Unit Linked Insurance Plan-1971

The scheme was launched in July 1971 and is still in operation. The main objective of the scheme is investment, insurance and tax savings. There are two plans in the scheme. They are 10 years plan and 15 years plan. Investors investing in the scheme are provided with insurance cover in case of death, insurance benefit to the extent of target amount chosen, accidental death cover, and permanent disability cover, tax benefit and finally full maturity amount to the extent of number of units outstanding on the date of maturity or on the date of redemption, whichever is later. Over the last 42 years the scheme has maintained the payment of death claims, accident claims to the claimant of the deceased. Similarly, in thousands of cases maturity benefits have been paid to the investors during the same period. At present there are about 2,89,935 investors in the scheme with total asset of Rs.2398.74 crores as on October 31, 2013.

2. UTI Children's College and Carrier Plan

The scheme was launched in July 1993 and is still in operation. The scheme has two plans, one is balanced plan, the asset allocation under this plan is maximum upto 40% can be invested in equity and equity related instruments and rest in debt and money market instruments. The other plan is a larger portion allocated to equity, under this plan minimum of 70% and upto 100% can be invested in equity. The main objective of the scheme is to create long term wealth. Under the scheme parent, guardian, relative, lawful guardian or any institution can invest in the name of a child aged between zero to less than fifteen years, which the child can draw himself after the age of eighteen years. The scheme provides an opportunity for any person/institution to save for child over a long period of time. This savings being professionally managed has the potential to provide better appreciation with lesser risk in the long run. Since last 20 years, many parents, guardians, institutions have taken advantage of the scheme by investing in the scheme and withdrawn redemption value and thus providing financial support to their children when they have grown up and needed funds for higher education or business/profession. At present there are about 21,75, 282 persons have invested in the scheme for their children with a total of Rs.2801.41 crores of assets as on October 31, 2013.

3. UTI Retirement Benefit Plan

The scheme is in operation since 26th December, 1994. As the name suggest, the aim of the scheme is provide pension in the form of periodical income/cash flow to the unit holder to the extent of their redemption value after the age of 58 years. The schemes investment objective is to invest a maximum of 40% in the equity and equity related instruments and rest in debt and money market instruments. The scheme has been designed to provide long

term capital growth through equity investment and simultaneously managing balance in the portfolio by larger allocation to debt. 20 years ago, UTI had the vision, that in the long run pension is a subject that will attract all fund managers. It was well researched by UTI that even Government (State as well as Central) cannot sustain the then existing pension system. We have seen the changes in National Pension Scheme (NPS) regulations and now general public are allowed to participate.

The main feature of pension funds invested by investors is long term in nature and the pull amount is very high. Such high volume and long term funds can be invested for creation of long term income paying assets such as infrastructure development, power projects and many more.

In the, Retirement Benefit Pension Fund of UTI, any investor of 18 years and above can invest any amount of Rs.500/- and above and any number of times in a year till the age of 52 years. Any person investing after the age of 52 years but within the age of 65 years, there is a lock in of 5 years. As on October 31, 2013 there are about 8,02,513 existing investors in the scheme with total asset size of Rs.945.15 crores. The notable investors in the scheme are school teachers' funds of Government of Bihar, Gujarat Milkmen Association funds and Paradip Port temporary workmen staff.

4. UTI Mahila Unit Scheme

This scheme started operations from March'2001 again a social initiative to provide a dedicated scheme to the women of India. The objective of the scheme is to provide better capital appreciation/ income with less volatility as such maximum equity investment has been capped at 30% and rest will be invested in debt and money market instruments. Any adult women of 18 years and above can in start investing with a minimum of Rs.1000/-.

CSR Activities carried out by UTI

1. Old Computers/ Lap topsto be given to needy schools:

It has been the policy at UTI to give away all old desks top computers and lap top computers to needy schools/ educational institutions free of cost.

2. Investor Education:

Mutual Fund industry as well as UTI AMC recognizes the importance of investors' education about the schemes/plans of mutual funds. The growth in the industry is possible only through large number of investor participation across the country which cannot be limited to large urban centers only. UTI has therefore conducting regular investor meets, participation in local exhibitions/melas and provide awareness to prospective investors across the country through its 149 branch offices (UTI Financial Centers), eight regional offices and Head

Office. UTI has also been educating Individual Financial Advisors (IFAs), employees of corporate distributors like banks, Post Offices and other national distributors about mutual fund products, so as to enable them to provide better information and advice to prospective mutual fund investors across the country.

3. Financial Swatantra Rath Yatra:

The first Financial Swatantra CarYatra was launched in 2008 by UTI AMC in partnership with Ministry of Corporate Affairs, Government of India. The main aim of the Car Yatra was to provide financial education through distribution of literatures and audio/video display materials to people across India, especially mutual fund products. 4 cars were started simultaneously, one from Mumabi, covering major towns and district places of the states of Maharastra, Chattishgarh, Madhya Pradesh, Rajasthan and Gujarat. The second car started from Delhi, covering the districts and towns in the states and Union territories of Delhi, Uttar Pradesh, Punjab, Haryana, Uttarakhand and Jammu & Kashmir. The third one started from Kolkata, covering the districts and towns under the states of Odisha, West Bengal, Jharkhand and states located in north-eastern region and the forth car started the campaign of investor education from Chennai, covering all the districts and town of southern states. This investors' education initiative had given a very good brand recall of UTI AMC among people across India.

With the response and success of this initiative a second Financial Swatantra Car Yatra was organized by UTI AMC, in partnership with Ministry of Corporate Affairs, Government of India. In second, car yatra, 3 cars carrying investor education related materials, audio video display systems started from Jammu, Kolkata and Ahmedabad in October/November'2009 travelling through various districts and towns of various states across India and reached at Thiruvananthapuram. In this car journey the aim was to cover all major tier three cities and major district centers of each district of the states through which the cars passed and distribute financial awareness materials to people. The aim of the cars was to give basic financial awareness to investors/prospective investors throughout India. These cars in their journey of two and a half months had provided financial awareness literatures and education to diverse societies of India.

4. Times of India, Financial Swatantra, weekly:

In association with Times of India, daily newspaper, UTI AMC has been publishing full one page educational information about mutual fund, every week since last 4 years.

XI. Conclusion

CSR is a concern for all government and multilateral agencies across the world today. It is the need of the hour to make the world a better place to live in not only for human being but also all living creatures of the earth. All Government and Non-Government Organization across the world have been playing a vital role in the protection of earth and people. Business houses have a significant role to play in the protection, development and maintenance of social, cultural and environmental activities in their area of operations and combined together they can make the world a better living place. No acts and rules can do the CSR activities more fruitful except the willingness of the Board of the respective business houses. Individual Board members have a great role to play in CSR activities of the company.

Instead of more rules and regulations for compliance on CSR, the need is to concentrate on the timeliness and quality of disclosures in various corporate communications on CSR by companies along with disclosure in their websites. The written and certified disclosures are generally true and can help a great extent for good CSR. These certified disclosures are generally followed by CSR concerned individuals and organizations from across the world.

Lets have the subject end with a quote from Ban Ki-Moon, Secretary General of the United Nations (*Closing Remarks at the UN Global Compact Leaders Summit, Geneva, 6 July, 2007*): "Friends, together, we can achieve a new phase of globalization - one that creates inclusive and sustainable markets, builds development and enhances international cooperation. We each have a responsibility in moving our agenda forward."

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