

NATIONAL VOLUNTARY GUIDELINES: MEASURING CSR OF THE INDIAN COMPANIES

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ABSTRACT

In order to achieve the compliance with the requirement of following the social responsibilities, the government of India has developed National Voluntary Guidelines (NVGs). National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Corporate are guidelines for Indian Corporations to make them fulfill the requirements of social responsibility. NVGs serve as a unique guidance documents for the businesses of all size, sector, ownership or geography. NVGs are unique guidelines because they provide India Specific guidelines for the business. The National Voluntary Guidelines are given in the form of Nine (9) Principles with core elements of actual performance of Indian companies in terms of Social Responsibilities. In this paper, the author has made an effort to identify the principles of National Voluntary Guidelines which are necessary for the performance of Companies on the CSR front.

Keywords: *Compliance, Social Responsibility, National Voluntary Guidelines, Nine Principles, CSR.*

Introduction

The National Voluntary Guidelines are given in the form of Nine (9) Principles with core elements of actual performance of Indian companies in terms of Social Responsibilities. Each principle provides a clear understanding of the practices adopted by the companies for performing the social responsibilities. National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Corporate are guidelines for Indian Corporations to make them fulfill the requirements of social responsibility. NVGs serve as a unique guidance documents for the businesses of all size, sector, ownership or geography. NVGs are unique guidelines because they provide India Specific guidelines for the business. These guidelines are adopted by Securities and Exchange Board of India (SEBI) as Annual Business Responsibility Reporting (ABRR) a reporting based on NVGs. The main purpose of these guidelines is to make the business socially responsible.

Drafting of NVGs¹

NVGs are the updated version of Corporate Social Responsibility (CSR) Voluntary Guidelines 2009, released in the December 2009 by the honorable president of India Smt. Pratibhadevi Singh Patil at the India Corporate Week organized by Ministry of Corporate Affairs (MCA). CSR guidelines were provided for the review and elaboration by the MCA. The project of elaboration was undertaken by the Indian Institute of Corporate Affairs set up by the MCA. The drafting committee started its work on the drafting of the guidelines in 2009. The drafting process was completed in October 2010 and the final draft was presented to MCA on 3rd November, 2010. These guidelines are known as National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. These guidelines were released by MCA on 8th July 2011. Soon after the release of the NVGs, on 24th November, 2011, a board resolution was passed by SEBI. According to this resolution, it is mandated for the top 100 listed companies to report on their Environmental, Social and Economic performance through the Business Responsibility Report as a part of the annual report.

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¹ http://en.wikipedia.org/wiki/National_Voluntary_Guidelines_on_Social,_Environmental_and_Economic_Responsibilities_of_Business.

The drafting process was extensive and it included the experts and practitioners from various sectors. The drafting process was conducted by eleven members each having an anchor team. The drafting process was based on consultation of various experts across the country in various cities in India: Bangalore (South), New Delhi (North), Kolkata (East) and Mumbai (West). The entire process was led by The Indian Institute of Corporate Affairs (IICA). The guidelines were published on the website of MCA for public comments. After the drafting of the NVGs, SEBI made it mandatory for the top 100 listed companies to include these guidelines as a part of annual report.

The Nine Principles¹

The National Voluntary Guidelines on Business Responsibility includes nine principles on business responsibilities. These principles are listed below.

- **Principle 1**
Businesses should conduct and govern themselves with ethics, transparency and accountability.
- **Principle 2**
Businesses should provide goods and services that are safe and contribute to sustainability throughout the life cycle.
- **Principle 3**
Businesses should promote wellbeing of all employees.
- **Principle 4**
Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- **Principle 5**
Businesses should respect and promote human rights.
- **Principle 6**
Businesses should respect, protect and make efforts to restore the environment.
- **Principle 7**
Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- **Principle 8**
Businesses should support inclusive growth and equitable development.
- **Principle 9**
Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Description of the Principles

The nine principles of NVGs can be explained as follows:

- **Principle 1**
Businesses should conduct and govern themselves with ethics, transparency and accountability.

- **Brief Description of the Principle**

This principle says that the business should adopt ethical conducts in all functions and process of the business. This principle also requires that all the functions and processes of the business must be transparent and visible to all the stakeholders. Relevant disclosures must be made for the processes and functions of the business.

This principle recognizes that all the decisions, actions and processes by the business leaders must follow integrity, ethics and transparency throughout all the business.

¹ http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf

- **Principle 2**

Businesses should provide goods and services that are safe and contribute to sustainability throughout the life cycle.

- **Brief Description of the Principle**

Quality of life of the people is at the heart of this principle. In order to function effectively and profitably, the business must take care of the improvement of the quality of life of the people.

This principle recognizes that all the stages of product life cycle right from the designing of the product to the disposal of the product, the environment must be taken care of. The responsible business is the one that keeps the value of the environment in mind.

The principle says that the business must be increasingly aware of the environmental impact of the use of raw material, process and disposal of the product.

- **Principle 3**

Businesses should promote wellbeing of all employees.

- **Brief Description of the Principle**

This principle is fully dedicated towards the wellbeing of the employees. The principle says that the dignity and wellbeing of the employees must be taken care of by the business in all its functions, policies and decision making.

The principle is extended to all categories of employees engaged in activities within or out side the business. It also includes the employees sub-contracted or home-based work.

- **Principle 4**

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

- **Brief Description of the Principle**

Interest of the stakeholders is at the heart of this principle. The principle says that it is the responsibility of the business to be responsive to the interest of all its stakeholders.

The principle also says that all stakeholders are not equally influential. Therefore, the disadvantaged, marginalized and vulnerable stakeholders must be taken most care by the business.

- **Principle 5**

Businesses should respect and promote human rights.

- **Brief Description of the Principle**

Human rights are at the core of this principle. The principle says that the human rights must be protected in all the activities and functions of the business. Treating the others with dignity and respect is at the core of this principle.

The human rights are categorized as civil, political, economic, cultural and social rights of the human beings. These widely accepted human rights give practical and legitimate framework to the business leaders in all the functions and processes.

The principle says that the businesses that do not protect human rights are not socially responsible.

- **Principle 6**

Businesses should respect, protect and make efforts to restore the environment.

- **Brief Description of the Principle**

This principle is about the environmental responsibility of the business. Environmental protection is the most for the sustainable economic growth of the whole nation.

This principle recognizes that environmental issues are interconnected at the local, regional, national and global level. Business should take care of global warming, protection of biodiversity, climate change in a comprehensive and systematic manner.

This principle requires business to be responsible and accountable for the direct and indirect impacts of the business activities on the environment. All the products, processes and services of the business must be environment friendly.

- **Principle 7**

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

- **Brief Description of the Principle**

This principle focuses on the protection of the legislations by the business. The business must operate within the specified government legislations and policy framework prescribed by the government for the growth of the business. The business leaders must operate the business within the prescribed boundaries and restrictions.

In the democratic countries like India, the legislations are framed keeping in view the interest of all stakeholders including the business.

In that sense, the principle says that the business should obey all the laws, policies and legislations and in case of any dispute the business must adhere the process prescribed by the government.

- **Principle 8**

Businesses should support inclusive growth and equitable development.

- **Brief Description of the Principle**

This is the principle about inclusive growth and equitable development. This principle encourages the businesses to recognize the need of innovation and to contribute to the overall economic development of our country. The business should innovate the products and services for the disadvantaged, marginalized and vulnerable sections of the society.

The principle recognizes the collaboration of business enterprises, government agencies and civil society in the equitable and inclusive growth and development of the whole nation.

- **Principle 9**

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

- **Brief Description of the Principle**

Consumer sovereignty is at the heart of this principle. This principle is based on the fact that the basic aim of any business is to provide goods and services to its customers. Customer satisfaction is the motto of any organization.

The business enterprises will not exist without the customers. So, customer satisfaction is the must for the survival of the business.

This principle recognizes the freedom of customers in selection of goods and services.

Conclusion

From the above given description, it can be clear that the companies have to follow the National Voluntary Guidelines for their CSR activities. There are total Nine Principles that the companies have to follow. National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Corporate are guidelines for Indian Corporations to make them fulfil the requirements of social responsibility. NVGs serve as a unique guidance documents for the businesses of all size, sector, ownership or geography.

References

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