CORPORATE SOCIAL RESPONSIBILITY: ISSUES & CHALLENGES FOR INDIAN COMPANIES

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ABSTRACT

CSR plays a pivotal role in enhancing a company's competitive edge, creativity, fostering innovation and strengthening its reputation among consumers, employees, business partners, government bodies and non-governmental organisations. With globalization on the rise, brand value and goodwill are becoming more significant than market volume. There are only a few studies that highlights the value of organizations extending beyond just financial metrics to both internal and external dimensions. As a strategic business approach, CSR is gaining widespread recognition. It is important for companies to have a structured framework to effectively implement CSR initiatives. The broad interpretation of CSR often leads to confusion, making it challenging for businesses and professionals to grasp its exact scope. CSR is often confused with other concepts, such as business ethics, cause-related marketing, philanthropy or corporate citizenship. Although CSR has some similarities with these concepts, it still differs significantly from them and cannot be used interchangeably with them. The introduction of CSR into business operations offers substantial benefits, contributing to economic, social, and environmental goals with a long-term perspective. Getting involved in CSR brings positive results fastening on economic, social and environmental objects with longer-term perspectives. Based on that, the concept of CSR is rapidly being introduced in companies in India.

Keyword: - Corporate Social Responsibility, CSR, issues, challenges, remedial measures.

INTRODUCTION

An organisation's efforts to address environmental, social, ethical, and economic challenges are collectively referred to as corporate social responsibility or CSR. Since 2014, Indian legislation has required businesses to allocate two percent of their profits toward societal improvements. CSR initiatives have evolved to become strategically important for many companies, representing their commitment to minimizing negative societal impacts while maximizing positive long-term influence.

According to the World Business Council for Sustainable Development (2006), CSR is businesses' ongoing commitment to behave ethically and contribute to economic development that improves quality of life for employees, their families, local communities, and society as a whole.

However, regardless of the different interpretations of corporate social responsibility, the fundamental meaning remains consistent. CSR therefore, means the ethical behavior of a business towards their constituencies or stakeholders. Rather than treating CSR as separate from core operations, companies should

integrate social and environmental considerations directly into their strategic planning and business practices. Any meaningful discussion of CSR must acknowledge the interconnection between social, economic and environmental factors in corporate decision-making and responsibility.

Corporate Social Responsibility spans multiple domains including: respect for fundamental human rights (covering employees, women's rights, child labour, and social justice), workers' rights (encompassing workplace safety, professional development opportunities, fair compensation packages); environmental stewardship (protecting ecosystems within and beyond company facilities and addressing long-term impacts); local engagement (adhering to regional regulations, supporting community initiatives, facilitating employee volunteer programs); relationships with suppliers; accountability mechanisms (operational oversight, responsibility frameworks, transparent reporting, incentives for job creation and retention); and recognition of stakeholder interests (particularly consumer protections).

REVIEW OF LITERATURE

Sasikala, Amudha. J and Shruthi M.S (2016), CSR today had become a global concept which thrives to attain social, environmental and financial success. Author has mentioned certain CSR activities done by Indian companies in the field of community development, education, and rural empowerment and so on by Mahindra, Ashok Leyland, and Aditya Birla. Author stated that increasing CSR leads to increasing growth.

Nitin Kumar (2014), CSR in today's context is considered to be pivotal step to attain competitive edge for various players like business concerns, public and other stakeholders which further leads to attain sustainability in the long run. CSR activities by both public and private players are encrypted in the study. Various bottlenecks like transparency, lack of organised NGOs, lack of awareness is also highlighted in the study by author.

Silberhorn and Warren (2007), in their study examined corporate social responsibility practices through website analysis of 40 UK and German companies, supplemented by management interviews. Their research revealed that many companies now incorporate CSR as an integral business strategy, primarily motivated by performance factors and stakeholder demands. The researchers found that organizations emphasize their stakeholder interactions and societal impact in their communications. The study identified that community engagement, employee relations, and customer concerns dominate CSR initiatives. Notably, CSR approaches differed based on company size (as measured by turnover), industry type, and nationality. The study concluded that business objectives and CSR goals are increasingly aligning, suggesting that comprehensive integration of CSR throughout corporate operations will likely become standard practice moving forward.

According to Frankental (2001), corporate social responsibility encompasses several dimensions including governance practices, public perception of ethical positions and lack of clear definition, accountability mechanisms, and organizational prioritization of social responsibility. At its most fundamental level, corporate social responsibility can be understood as an implicit social agreement between businesses and the

society they serve, wherein companies receive societal permission to operate in exchange for providing needed products and services.

OBJECTIVES OF THE STUDY

Following are the objectives of the study:-

1. To study the legal framework of CSR as per Companies Act, 2013.
2. To study the issues and challenges in implementing CSR in India.
3. To provide suggestions to overcome the challenges in CSR in India.

LEGAL FRAMEWORK OF CSR AS PER COMPANIES ACT, 2013

Government of India had taken a huge step towards replacing the old regime as to how the corporates should behave ethically and responsibly. Taking into consideration this aspect, Government had laid regulation for CSR through the New Companies Act, 2013, which specifies the ways, the corporates should possess CSR into their business operations. As per Section 135 of the Companies Act, the companies should contribute at least 2% of their average net profit towards CSR every year. The following criteria shows the eligibility the company should follow in order to contribute towards CSR:

a.) Annual Turnover of 1000 INR crores or more;

b.) Net Worth of 500 INR crores or more;

c.) Net Profit of 5 INR crores or more.

MAJOR CSR ACTIVITIES IN INDIA

Many companies have indulged in carrying out CSR activities these days. In this view, as per the Companies Act, 2013, the major areas for the contribution of CSR considered for the study are listed below:

- Health
- Education
- Environment
- Community Development

Fig. 01: Corporate Social Responsibility

As per MCA, the highlights of CSR spending are as under:

- Out of 10475 eligible companies, 7334 submitted report as of 31st January 2016. Only 3,139 of these reporting companies allocated funds toward CSR initiatives.

- These 3,139 companies were prescribed to spend Rs. 11,883 crores, but Rs.8803 crores have actually been spent. (i.e.74%)

- The top 10 companies contributed Rs. 2,783 crores, representing 32% of total CSR expenditure in FY 2014-15

- The remaining 3129 companies have spent ₹ 6020 crores collectively.

- 39 companies invested in CSR activities despite experiencing losses in previous years.

- Actual CSR spent was 74% whereas unspent budget was 26%.

- CSR Mode of iimplementation included: direct (53%), through societies/trusts (39%), through company foundations (4%), and via partnerships with other organizations (4%).

- Highest CSR activity States – Maharashtra, Tamil Nadu, Karnataka, Gujarat and Chhattisgarh.

- Lowest CSR activity regions: -Lakshadweep, Sikkim, Tripura, Mizoram and Nagaland.

- Public Sector Undertakings showed stronger participation than private companies: 142 out of 226 PSUs (63%) had positive CSR spending, while 4,111 out of 7,108 non-PSUs (58%) reported no CSR expenditures.

TOP CSR Expending Companies

(Pie chart: RIL 33%, ONGC 22%, INFOSYS 10%, ITC 9%, TCS 9%, NTPC 9%, NMDC 8%)
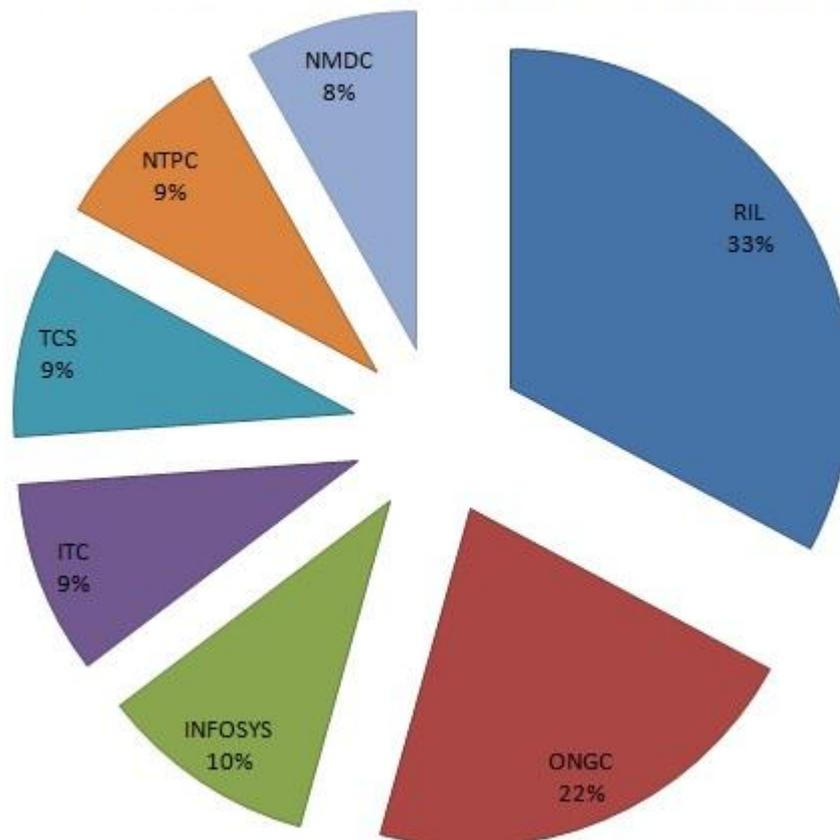
(Source: Ministry of Corporate Affairs, 2014-15)

ISSUES & CHALLENGES FOR INDIAN CORPORATE

Corporate social responsibility has evolved as a fundamental component of business practices in today's global economy. However, transitioning from theoretical frameworks to practical implementation remains challenging. One significant hurdle is the lack of dependable indicators to measure CSR progress and effectively share successful strategies. By emphasizing transparency and open dialogue, companies can both enhance their credibility and push up the standards across their industries.

Several factors limit the effectiveness of Corporate Social Responsibility (CSR) initiatives. These includes lack of understanding, insufficient staff training, and non-availability of authentic data about specific CSR activities, coverage areas, and policies. These challenges collectively reduce both the reach and impact of CSR programs. However, this situation is gradually improving.

The concept of Corporate Social Responsibility (CSR) was strongly criticized by **David Henderson in his 2001 book *Misguided Virtue: False Notions of Corporate Social Responsibility*.** Henderson presented arguments against CSR's departure from conventional corporate value approaches. He expressed scepticism about what he considered overly ambitious and sometimes impractical expectations associated with CSR practices. Some critics contend that Corporate Social Responsibility serves primarily as a pre-emptive measure designed to forestall government regulation and oversight of influential multinational corporations.

As per the study, following are the challenges found in the implementation of CSR in India:-

- Lack of community participation in CSR initiatives
- Need to build local capacities.
- Issues of transparency.
- Non-availability of well-organized non-governmental organisations.
- Narrow perception towards CSR initiatives.
- Non-availability of clear CSR guidelines.
- Lack of consensus on implementing CSR matters.

The success of CSR depends when the companies integrate it deeply into their strategic development plans. It is significant for the businesses to thrive while making a positive impact, they must develop, promote, and execute effective approaches that simultaneously deliver economic, social, and environmental benefits. It is a collective and shared responsibility of civil society, activist organisations, government agencies and companies to create appropriate resources and avenues for the marginalized and bringing them to the mainstream.

SUGGESTIONS

In order to meet the expectations of all our stakeholders, we must surround ourselves with all components of business and society. Corporate competitiveness is partly based on ability to adapt products, services and management to the challenges of constantly changing societies. To do this, we need to identify, support and

develop the best CSR initiatives. In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, a few recommendations are suggested.

1. To create awareness about CSR amongst the general public to make CSR initiatives more effective.

2. CSR as a subject or discipline should be made compulsory at B-schools in colleges and universities to sensitize students about social and development issues.

3. To develop partnerships between all stakeholders including the private sector, employees, local communities, the Government and society.

4. Extend CSR initiatives/activities to small, medium and large corporate houses.

5. CSR initiatives and programs are taken up in urban areas and localities.

CONCLUSION

Corporate Social Responsibility (CSR) is essential in today's world, offering significant advantages to both companies and society. It plays a crucial role in shaping India's progress, with numerous leading corporations actively contributing to social development of the country. Rather than being viewed as an obligation, CSR should be embraced wholeheartedly as a core business value. At the end it can be concluded that when CSR is implemented with genuine commitment and enthusiasm then it not only benefits companies in the long run but also creates a lasting positive impact on society, ensuring a promising future.

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