



CORPORATE SOCIAL RESPONSIBILITY IN INDIA - DEVELOPMENT AND OBSTACLES

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ABSTRACT

This paper aims to trace the progressive development of the Corporate Social Responsibility (CSR) concept and its diverse practices in India. It emphasizes the growing necessity for focused, structured, and monitored CSR initiatives in the country, given its vast size, diversity, and a significant population that still faces underprivileged conditions. The government's attention needs to shift towards ensuring compliance and impact assessment, focusing on a mechanism that ensures the equitable distribution of benefits to all those in need. It argues against relying solely on corporate discretion in selecting CSR areas and subjects. The evolution of CSR in India has transformed from a philanthropic endeavour to a legally mandated obligation, particularly with the introduction of Section 135 in the Companies Act 2013. This legal provision makes CSR expenditure and reporting obligatory for covered companies under the Act. A notable disparity exists between CSR targets and actual spending. Some companies exercise arbitrary discretion in their CSR expenditures. Additionally, there is a lack of expertise within corporate entities regarding CSR matters. Simultaneously, the absence of professionalism in NGOs involved in implementing CSR initiatives in India contributes negatively to the overall success of CSR endeavours.

Introduction

Corporate Social Responsibility (CSR) is a widely discussed concept in the global corporate landscape, and India is no stranger to it. In the Indian context, this term holds particular relevance due to the country's status as a developing economy, necessitating the fulfilment of significant social obligations to a broader society. Organizations are esteemed by their stakeholders when they contribute positively to social and environmental aspects.

In the business realm, CSR involves conducting operations with a dual objective: earning profits while simultaneously maintaining social and environmental responsibility. Stakeholders, particularly society, expect corporations to demonstrate ethical behaviour, responsibility, compassion, fairness, and environmental consciousness.

Milton Friedman: "The social responsibility of business is to increase its profits."

Peter Drucker: "The social responsibility of business is to create value for its stakeholders."

Archie Carroll: "CSR involves the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."

Anita Roddick (Founder of The Body Shop): "Businesses have the responsibility to make a difference in the world. It's about using the power of business to facilitate social and environmental change."

Bill Gates: "Businesses should take the lead in addressing social issues, as they have the resources and innovation to make a meaningful impact."

Howard Schultz (Former Starbucks CEO): "Companies must take a stand on important social issues and demonstrate a genuine commitment to ethical business practices."

Warren Buffett: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

Indra Nooyi (Former PepsiCo CEO): "Companies need to go beyond just making profits; they should contribute to society by addressing environmental and societal challenges."

Richard Branson: "Businesses can be a force for good. They should use their influence and resources to address pressing global challenges and make a positive impact."

Preez and Zyl: CSR much depends on top leadership functioning style, commitment level and zeal to interface business activity and CSR.

Klenke: Ethical values are prime component of leaders' behaviour in an organisation. There is increasing thrust on ethical behaviour in CSR and in leadership.

Methodology

This research paper represents a systematic review of diverse journals, published reports, and media coverage on Corporate Social Responsibility (CSR) in India. The focus of this paper is to

scrutinize and analysed the historical evolution and contemporary challenges of CSR in India, spanning from ancient times to the present.

Corporate Social Responsibility (CSR) Evolution in India

The Philanthropic Era of CSR

In ancient India, societal concerns found expression through religious actions, with all religions advocating for care and contributions to the well-being of mankind. The concept of offering for the betterment of humanity was inherent in the teachings of various religions, encouraging both the rich and the poor to allocate a portion of their earnings for social welfare, known by different names in different faiths.

Initially, Corporate Social Responsibility (CSR) emerged as a product of philanthropy, characterized by actions of social good seen as charity and donations. The influence of culture, religion, and family values played a significant role in shaping CSR. In the pre-industrialization period, merchants routinely allocated profits to build temples, inns, and dispensaries. During times of famine or epidemics, these merchants would assist society by providing food grains from their warehouses.

Under colonial rule, Indian industrialists conducted business with a focus on both economic and social well-being. Making donations, supporting social programs, and engaging in charitable activities were considered honours for major industrial houses. The independence movement, particularly under Gandhi's influence, emphasized the role of CSR in contributing to the common good. Gandhi advocated for industrial houses to align their business activities with national interests, the freedom movement, and the welfare of the poor. The concept of trusts gained prominence during this period, influenced by Gandhi's reforms aiming to eliminate untouchability, develop villages and backward areas, and empower women.

In the 1960s to 1980s, during the era of mixed economy, public sector undertakings were established to generate mass employment and promote economic progress in remote areas. These undertakings, initiated for economic reasons, had social concerns as their primary objectives. Legislation on labour and the environment was also enacted. In 1965, visionaries, political leaders, and business figures conducted a workshop on CSR, emphasizing transparency, accountability, and regular communication with stakeholders. Despite these efforts, CSR did not gain the desired momentum.

From 1980 to 2013, as the Indian economy opened up to the global market through liberalization, privatization, and globalization (LPG), companies shifted from traditional CSR practices to adopting CSR as a strategic business approach. Increased business volumes during this period prompted companies to voluntarily invest in CSR initiatives.

The Legal Epoch of corporate Society

In 2009, the Indian government took its first formal step towards mandating Corporate Social Responsibility (CSR) by issuing Voluntary Guidelines. A Task Force on Corporate Excellence in the year 2000 recognized CSR as both socially and financially beneficial, presenting a recommendatory report. In 2009, a crucial development occurred as clear differentiation was made between philanthropy and CSR, with subsequent revisions in 2011. The primary objective of these guidelines was to promote inclusive growth, outlining nine principles for corporate adherence.

The transition from voluntary to regulated CSR emerged when the Securities Exchange Board of India (SEBI) made CSR disclosure mandatory for the top 100 listed companies under Clause 55 of the listing agreement. The shift to a regulated regime continued with the introduction of Section 135 of the Companies Act 2013 in 2013, making CSR activities legally compulsory for corporations. This legislation not only mandated CSR implementation but also required reporting. Corporations have the autonomy to choose the areas for CSR fund allocation under a "comply-or-explain" approach, with no explicit penalties for India stands as the first country worldwide to compulsorily mandate both spending and reporting of CSR for covered corporations. In contrast, other parts of the world often require reporting while keeping CSR activities voluntary. Section 135 not only makes CSR reporting mandatory but also enforces CSR implementation.

CSR Initiatives Encompassed by Schedule VII of the Companies Act, 2013

As of April 1, 2014, the Ministry of Corporate Affairs (MCA), Government of India, introduced a revised Schedule VII outlining a comprehensive list of activities and subjects eligible for Corporate Social Responsibility (CSR). This schedule encompasses a diverse range of activities, addressing basic life necessities and extending to social and environmental concerns. Companies engaging in CSR can contribute to initiatives such as poverty eradication, primary health care, access to safe drinking water, and sanitation. Additionally, CSR efforts can support skill development, literacy missions, primary education, gender equality promotion, awareness campaigns, measures for saving the girl child, and vocational training for females.

Beyond these social endeavours, CSR initiatives can extend to environmental pursuits, including forestry, emission reduction, combating global warming, solid waste management, and conservation of natural resources. The preservation of soil, water, and air quality is also emphasized. CSR can further contribute to the interests of weaker and backward sections of society, rural development, and nation-building efforts during natural calamities. Sports promotion is also recognized as a viable aspect of CSR.

Companies falling under the purview of the law have the flexibility to choose one or more activities from Schedule VII of the Companies Act, 2013, aligning with their internal CSR policies.

The Function of Corporate Social Responsibility in the Indian Context

In the Indian context, the significance of Corporate Social Responsibility (CSR) cannot be overstated. Despite reasonable economic growth, India faces numerous challenges in areas such as poverty, education, primary healthcare, sanitation, skill gaps, and access to drinking water. According to a study by the Oxford Poverty and Human Development Initiative, approximately 51 percent of India's population is considered poor. Addressing these issues has become a pivotal focus for CSR, aiming to actively engage the impoverished population and provide them with essential resources such as basic health services, water, shelter, and primary education.

CSR in the Indian context has the potential to drive inclusive growth, harmonizing the efforts of the government with corporate initiatives for sustainable development. While government welfare schemes may sometimes fall short of reaching the intended beneficiaries, CSR can supplement these initiatives and bridge the gap by extending support to the underprivileged population that may be overlooked by existing governmental programs.

Obstacles to CSR

Several obstacles in the implementation of CSR include:

Knowledge Gap: There is a lack of awareness and understanding about CSR in Indian society, resulting in low participation and involvement in CSR activities. Some companies engaged in CSR fail to establish proper communication with the affected communities.

CSR Network Capabilities: Organizations instrumental to CSR execution, such as NGOs, often lack the necessary resources, expertise, and professionalism for effective implementation and follow-up. Enhancing the efficiency and professionalism of these entities is crucial.

Transparency Issues: Some corporations hesitate to openly disclose information about their CSR funds, implementation processes, and reporting. This reluctance hinders the establishment of trust, which is integral to the success of any CSR initiative.

Shortage of NGOs: There is still an insufficient number of NGOs capable of undertaking CSR activities in rural and remote areas, where such initiatives are most needed.

Advertising Focus: The focus of CSR initiatives should be driven by positive and meaningful publicity, avoiding the pitfall of merely using it as a photo opportunity.

Perception: CSR efforts have sometimes been undertaken with a narrow vision, leading to discouragement among corporate entities. Creating mass awareness is essential to garner public support for CSR initiatives.

Clarity on CSR Guidelines: Lack of clarity on CSR guidelines, including activities, fund allocation, and priority concerns, hampers effective implementation. Clear directives and mandates are crucial for successful CSR initiatives.

Implementation: Ensuring uniform and necessary deployment of CSR activities is an issue. Lack of cohesiveness among implementing agencies can result in duplication or neglect of certain areas.

Current Developments in Corporate Social Responsibility (CSR) in India

As Corporate Social Responsibility (CSR) increasingly becomes an integral part of strategic decision-making, there is a planned increase in CSR spending. According to a report from FICCI, 83% of corporations anticipate a rise in their CSR spending for the fiscal year 2016-17. Many of these corporations assert that their CSR investments are directed toward projects aligned with national and governmental initiatives (PTI, 2016, Mar 27).

In the inaugural year of CSR implementation, out of an eligible CSR fund of ₹8,347.47 Crore, 75.92% was allocated for CSR activities. One-third of this contribution came from public sector undertakings, amounting to ₹2,386.60 Crore. There are plans to allocate approximately 30% of the CSR fund to initiatives promoting cleanliness (Singh, 2016).

Responding to queries about the disparity in CSR spending between private companies and public sector undertakings, the finance minister stated that, during the first year, private corporations spent 79%, while public sector undertakings spent 71%. He regarded this as a positive start (Economic Times - PTI, 2016, May 15).

Addressing concerns about the potential misuse of CSR funds, Hon'ble Minister Mr. Geete dismissed such possibilities and mentioned that meetings to monitor fund utilization are held every six months (Economic Times - PTI, 2016, Mar 10).

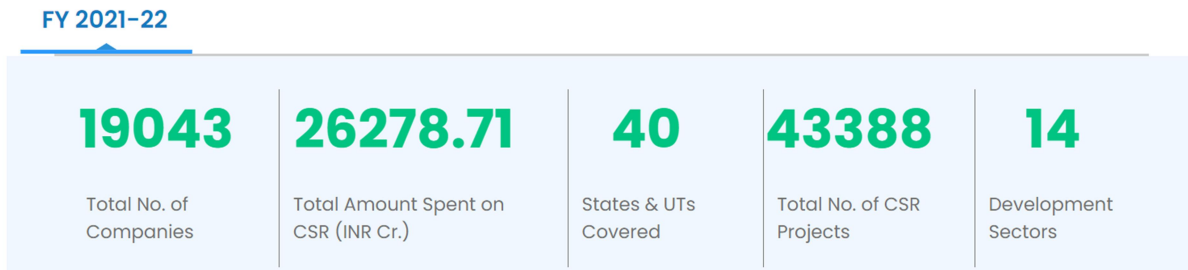
Regarding the fiscal year 2015-16, CSR spending has shown commendable results. An assessment of 4,257 companies revealed that around 72% of the mandated CSR amount was utilized for CSR activities. Notably, 621 firms exceeded the prescribed amount, 400 companies spent precisely the prescribed amount, 624 companies spent less than 66% of the prescribed amount, and 261 firms spent 66-99% of their mandated CSR fund. Alarmingly, 2,351 companies did not allocate any funds to CSR activities (PTI, 2016, Jul 19).

Result and Discussion

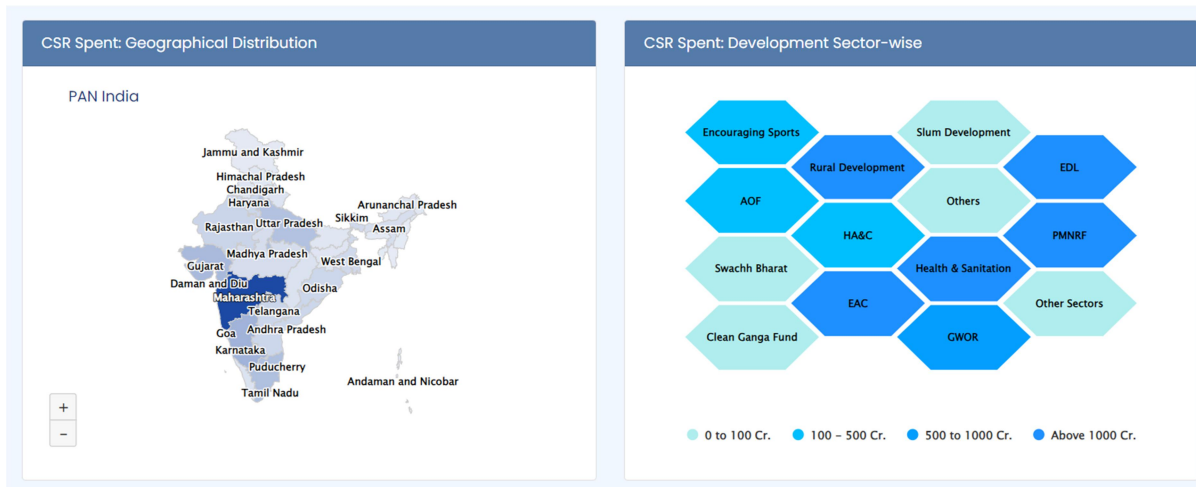
Studies, paper reviews, and reports on CSR in the Indian context indicate a lack of coordination and focus on the current efforts. There is a pressing need for a national-level policy framework to ensure the effective implementation of CSR. This framework should be collaboratively designed by the government in consultation with all stakeholders, aiming to minimize redundancy, maximize value for money, and achieve development goals.

Enhancing the visibility of CSR and adopting a clear policy framework for its implementation are crucial for achieving objectives. Companies should prioritize sustainable development. To make CSR more effective and meaningful, a comprehensive review of current practices is necessary. CSR expectations should be clearly defined, aligned with the organization's vision, mission, and values, and communicated transparently to all stakeholders.

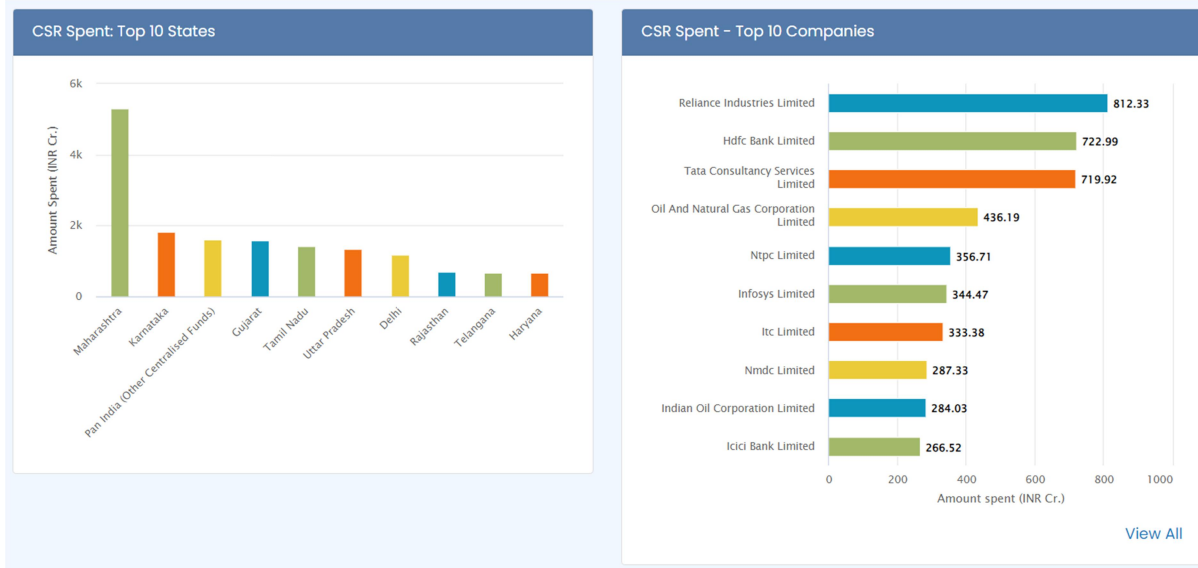
For the year 2021-2022



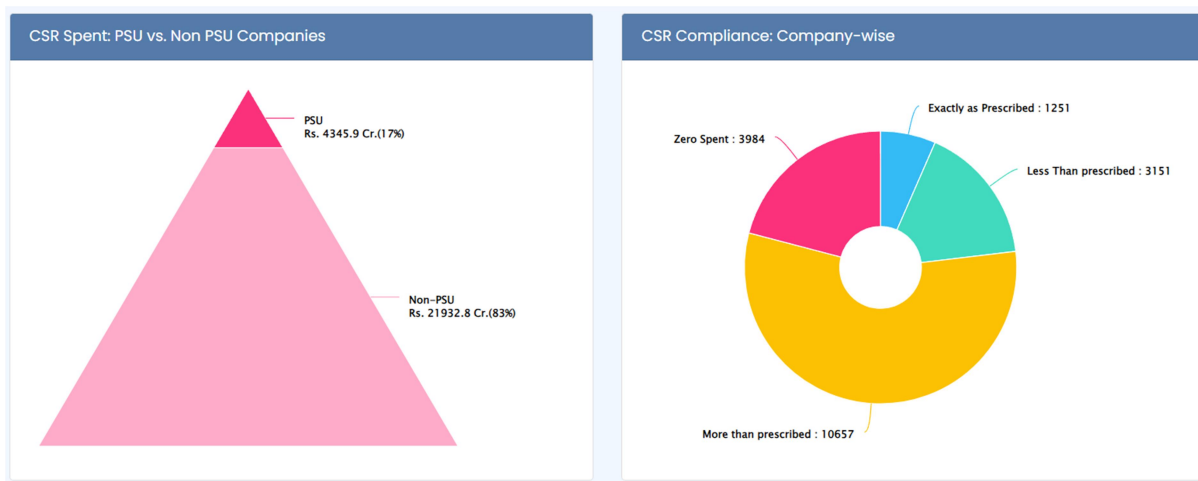
Geographical and Sector Wise:



State and Company Wise (Top10):



PSU and Compliance:



Transparency in reporting is another essential aspect of CSR. Compliance with legal expectations and government guidelines should be maintained, with projects under CSR subjected to impact assessments, preferably conducted by specialized third parties. The returns on CSR investments should be measurable and evident, contributing to a win-win situation for all stakeholders. The success of CSR lies in need-based implementation and effective monitoring.

Creating awareness about CSR programs and their targeted implementation in society is crucial. NGOs involved in execution need to exhibit fairness, alertness, and sensitivity, adopting a professional approach. While CSR is in its early stages in India, the commendable spirit with which corporate entities have embraced social responsibility sets an example globally.

Globally, corporations have recognized the value of CSR as an integral component of business growth and survival. Nowadays, companies focus on aligning CSR policies and implementations with their business strategies to enhance overall success.

Future research in the CSR field could explore developing models for CSR spending, prioritizing areas of CSR activities for selected regions and populations. Demographic and geographic variations necessitate tailored CSR expectations. Additionally, studying the role of leadership and the qualities that drive CSR efforts is essential.

A systemic approach paper could be attempted to identify welfare gaps from government budgets and Planning Commission reports, establishing direction and objectives for CSR initiatives at regional and national levels.

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Appendix: CSR - Expenditure Summary (Data Taken from

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