



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## CORPORATE SOCIAL RESPONSIBILITY IN BIHAR: NEEDS FAIR SHARE OF FUNDS

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### ABSTRACT

Corporate Social Responsibility (CSR) is the ethical behaviour of business organisations/companies for the upliftment and welfare of society. The core issue of CSR activity is “doing good to do well” and “society at large should be served”. Its motto is “Bahumukhi Vikas” (multi-dimensional development)—underscoring people, planet and profit. For the sustainability of a state/community, CSR funding is significant and pivotal. Bihar, situated in the eastern part of India, is the third most populous state. It has an ancient and rich history. But with regard to CSR activities, the low CSR funding in the state and the lack of corporate investment are significant problems as well as vital hindrances in improving the lives of the people. In the above context, the present study intends to draw attention towards this major problem and emphasises the point that enhanced CSR funding can help improve the lives of the people of the state. This study has also attempted to conceptualise CSR, compare CSR funding in Bihar with other states, plead for the equitable distribution of CSR funds and suggest measures to attract CSR funding in the state of Bihar.

**Keywords:** - Bihar, Business Organisation, CSR, Society, Sustainability.

### INTRODUCTION

CSR is pivotal in meeting the agenda of sustainable development. CSR activities are aligned with the objectives of sustainable development goals to a considerable extent. Business policies and decisions of an organisation should be guided not just by how much it would benefit the organisation but also by how it could better the lives of citizens. For developing robust and effective CSR, business organisations should abide by the laws and rules framed and enacted by the Ministry of Corporate Affairs (MCA), define the organisation's goals and objectives; implement their CSR activities honestly and transparently; and report and communicate regularly to their stakeholders accordingly based on feedback received, evaluate, revise and reboot their policies and responsibilities.

CSR presents an opportunity for companies to create a positive impact within society by shouldering responsibility and contributing to society—playing a pivotal role in shaping a sustainable and greener future. In line with the Companies Act, 2013, Indian companies are mandated to spend 2 per cent of their net profits on CSR activities with an objective to contribute towards improving various socio-economic indicators. However, the analysis reveals that in the implementation of CSR in the country, there is a significant issue of misallocated distribution of CSR funds in terms of geographical focus. A large portion of CSR funds are spent in states like Maharashtra, Karnataka, Tamil Nadu and Gujarat which are performing well on various socio-economic indicators. In contrast, economically disadvantaged, underdeveloped and developing states like northeastern states and Bihar receive minimal CSR funds. The focus of this study is to suggest various policy interventions to address the geographical imbalance of CSR funding. It seems to be pertinent to maintain a balance between local area preferences with the priorities of the country in the allocation of CSR funds to avoid bias in CSR funding in any specific region. The study also throws light on the bias of CSR funding in Bihar and focuses on the need for a fair share of CSR funds for sustainable and inclusive development of the state.

### LITERATURE REVIEW

The literature on CSR is manifold. Various literature and research articles have been devoted to discussing, analysing and interpreting the concept, especially since 1950 onwards. While one scholar has discussed the responsibilities of businessmen towards society (Bowen, 1953), another lays stress on the impact of CSR on the social system (Davis and Blomstorm, 1966). CSR has also been defined in terms of solving social problems. Carroll has stated that social responsibilities encompass economic, legal, ethical and discretionary expectations of society. A more business-oriented definition of CSR has also been presented (Fifka, 2009). Besides, Husted and Allen, Morrison and Mujtaba, Low and Ang and some other academicians and scholars have devoted their studies to the concept of CSR and its implications for business organisations. Moreover, the effect of CSR on the socioeconomic development of society has also been investigated (Patil et.al., 2017). In recent years, the company's contributions to CSR activities

(Mitra and Chatterjee, 2020) as well as during the Covid-19 pandemic have also been analysed and elaborated (Begum, 2021). Again, while one scholar has tried to explain the connection between CSR and sustainable development (Akdogu, 2017), the other considers the CSR model in the Indian Context highlighting its importance and market competition.

But with regard to CSR in Bihar, no major work, literature or scholarly research is available. Little attention has been paid to studying CSR funding and its implementation in the state. CSR Journal has published articles like “Top CSR Interventions in Bihar and ‘Top CSR projects in Patna. However, no detailed comparative study regarding the distribution of CSR funds in the context of Bihar state has been made so far. The present study serves the purpose. A comparative analysis has also been presented to underscore the discrepancy and geographical bias in the distribution of CSR funds. The importance of the present study lies in the sense that it attempts to focus on the point that the country will develop only when developing states like Bihar develop properly.

## OBJECTIVES

The main objectives of the present study include: -

- To explore how CSR practices can help address equitable sustainable development in accordance with the latest social expectations.
- To conceptualise CSR, its significance in satisfying valuable needs of society and interpret laws and rules framed to make CSR contribution mandatory.
- To focus on the geographical imbalance in CSR funding with special reference to Bihar state in comparison to other developed states.
- To emphasise the need for a fair share of CSR funds for promoting sustainable and inclusive development.
- To encourage future academic research concerning CSR initiatives and suggest measures to minimise the geographical imbalance of CSR funding.

## RESEARCH PROBLEMS

The research scholar identifies research problems related to the present study as mentioned below: -

- I. Violation of ethical norms, moral values and laws by businesses in the implementation of CSR activities.
- II. CSR spending is not considered a mandatory obligation but rather an enforced obligation on the part of management.
- III. Lack of systematic information and public disclosure on CSR activities concerning the state of Bihar.
- IV. Absence of adequate research regarding specific topic-CSR in Bihar.

## METHODOLOGY

This study is mainly qualitative. The method of analysis, interpretation, description, comparison, construction and prediction has been adopted in the present study. The CSR contribution and expenditure data have been obtained from [csr.gov.in](http://csr.gov.in) and [csrxchange.gov.in](http://csrxchange.gov.in) portal of the Ministry of Corporate Affairs. Besides, online available written materials have also been consulted.

## CSR: AN INTERPRETATION

CSR is mainly Focused on achieving sustainable development — economic, social and environmental concerns. Its objective is to meet the changing expectations of society ethically and responsively. It is a self-regulating business model that helps a company to be socially accountable to itself, its stakeholders and the public (Dixit, 2023). “*CSR is the obligation of the businessman to pursue those policies to make those decisions or to follow those lines of actions which are desirable in terms of objectives and values of our society*” (Bowen, 1953). To meet the agenda of sustainable development, the contribution of CSR is pivotal. In the contemporary business landscape, the contribution of CSR endeavours can be remarkable and prove to be the game changer to uplift the weaker sections of the community. Businesses should not only pursue profit but also contribute to the social, economic and environmental concerns of the society. Business organisations need to make positive contributions to achieve sustainable socio-economic development of society for implementing CSR. For accessibility and transparency in CSR initiatives, it is required on the part of companies to adopt a holistic approach and ethical values. CSR activities ought to be embraced as an opportunity to save the community, not as an enforced obligation by the business organisation. CSR introduced through acts and corresponding rules puts accountability on businesses/companies to set out a holistic CSR framework. Organisations are required to perform actively as well as transparently towards a greener, more sustainable future for the purpose of preserving the world's environment. Burke and Logsdon identify five features of CSR — centrality, specificity, proactivity, voluntarism and visibility. The triadic bottom line: people, planet and profit are the essence of CSR.

CSR initiatives help in accomplishing almost all 17 agendas of sustainable development and assist in achieving triple-bottom-line performances- social, economic and environmental. CSR is important in the sense that it corresponds to basic human needs, compels businesses to be ethically oriented, creates credibility with the people and helps management make better decisions in the interest of society. CSR expenditure can even more meaningfully contribute towards the accomplishment of SDGs if companies take a long-term comprehensive approach to yield productive results.

CSR is beneficial not only to society but also to the companies engaging in CSR activities. It focuses on what is done with the profits made and whether they are utilised for the welfare of society. It is an important component of sustainability and responsible business. CSR is in perfect alignment with the sustainable development goals (SDGs). By introducing an ethical CSR strategy, a business organisation can build an effective brand image, boost sales, gain more employees, and increase customer loyalty. There are mainly four categories of corporate social responsibility- environmental responsibility, ethical responsibility, philanthropic

responsibility and economic responsibility. For developing a strong and ethical CSR policy a business organisation ought to define the organisation's values and responsibilities; identify stakeholders; set CSR goals and objectives; implement and monitor execution and evaluate and revise its CSR efforts.

Bharat is the first country in the world to create an effective and obligatory CSR framework by enacting the Companies Act, 2013 and making CSR mandatory by making corresponding amendments. CSR mandatory. CSR has been made mandatory through the provisions mentioned under section 135(1) of the Companies Act, 2013 to spend 2 per cent of the net profit of the business organisation over the preceding three years. A list of permitted activities has been described in Schedule VII of the Act. These activities include eradicating property; improving education; environmental sustainability; measures for the benefit of the armed forces veterans; war widows and their dependents; stimulating sports- rural, national, paralympic and Olympic; contribution to the PM National Relief Fund; contribution to the research and development projects and public-funded universities; rural development projects; slum area development; disaster management etc. The enactment of the Companies (CSR Policy) Amendment Rules, 2021 has made a remarkable shift from the previous “comply or explain” to “comply or pay fine” making CSR discretionary to mandatory. Recently Ministry of Corporate Affairs (MCA) notified the Companies (Management and Administrative) of the Second Amendment 2023 on October 27, 2023, intending to increase transparency and accountability in companies and to improve the corporate governance network. Provision of fines and penalties has also been made for non-compliance with CSR-related responsibilities. The report for the fiscal year 2021-2022 reveals that a record 18623 companies have engaged in CSR activities, a strong indication of India's commitment towards social welfare and sustainable development, (India CSR, 2023).

## CSR IN BIHAR

Bihar is a land-locked state— Nepal in the north, West Bengal in the east, Uttar Pradesh in the west and Jharkhand in the south. It has been a centre of learning and rich culture for centuries. It has given the world its first democracy. It is one of the most densely populated states of India with 850 people per square mile. The state is primarily rural and dependent on cultivation. For centuries Bihar has remained the main focus of culture and civilisation. At the turn of the 21<sup>st</sup> Century, on November 15, 2000, the state of Jharkhand was created comprising its southern region. Now Bihar has 38 districts and Patna is its capital city. Today, Bihar lags behind the other states of India on economic and other fronts. The state is facing many challenges including high levels of unemployment. However, the state is making progress in addressing core issues and working to improve its citizens' quality of life. Through increased investment in infrastructure, the economic revival is on the cards. If we traverse through the length and breadth of the state, we will not only experience the state's rich and vibrant history, art and culture but also find the developmental initiatives taken in the fields of electricity, agriculture, rural development and education. Besides, some exemplary works to mitigate climate change under the Jal-Jeevan-Hariyali Mission conceived by the state government in 2019 are reshaping the ecology and are being widely recognised throughout the country. CSR efforts are a part of shaping a brighter developmental landscape.

CSR is imperative to sustainable development and plays a vital role in economic development and improving the quality of life of the people. CSR may be a catalyst in making an organisation accountable to the service and welfare of society. However, CSR in Bihar is still far below satisfactory since the state scores the lowest on most parameters for CSR. The regional disparity in the allocation of CSR funds is a prominent issue. There are not many large companies operating in the state. The lack of corporate investment has made it difficult for the state to attract sufficient CSR funding from business organisations. States like Maharashtra, Karnataka, Gujarat, Tamil Nadu and UP receive the lion's share whereas north-eastern states and Bihar receive only a fraction. Critical funding gaps and disparities persist. When we analyse the distribution of CSR funds, it becomes apparent that in the year 2021-2022, Maharashtra alone received ₹ 5229.31 Cr which is more than ₹ 610.15 Cr Bihar got during the last five years, i.e. 2017-2018 to 2021-2022. Bihar stands on the lower rungs of CSR which can be compared with 5 states shown in Figure 1 and Figure 2 given below: -

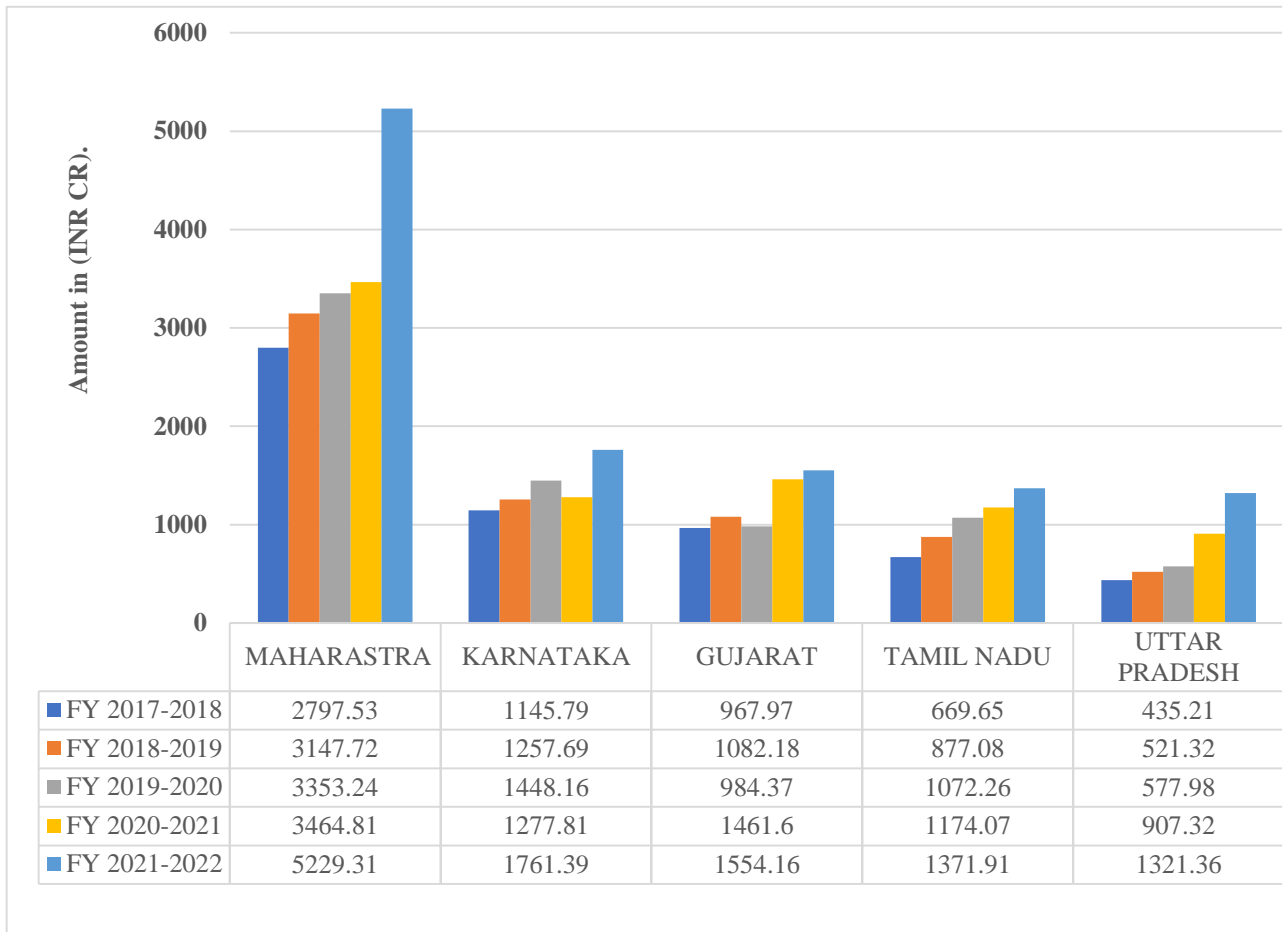
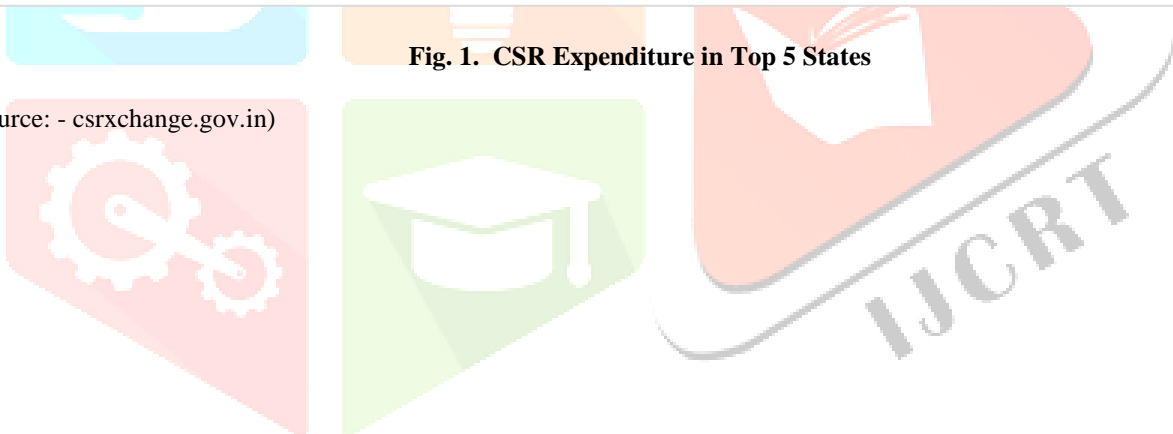
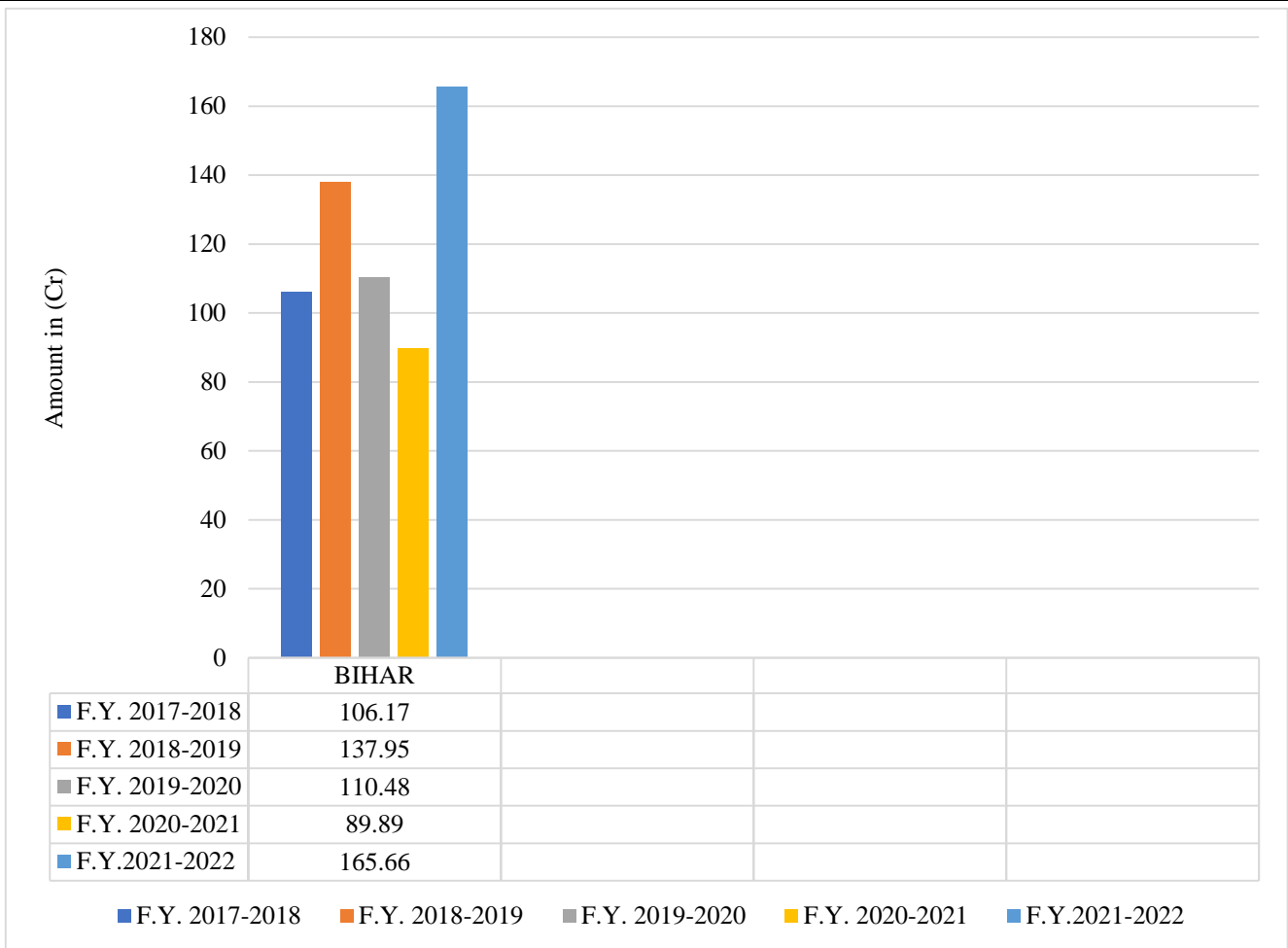


Fig. 1. CSR Expenditure in Top 5 States

(Source: - csrxchange.gov.in)





**Fig. 2. CSR Expenditure in Bihar**

(Source: - csrxchange.gov.in)

The low CSR funding in Bihar reflects the state's economic condition. The lack of economic opportunities has led to a high rate of migration to other states. The state has a small industrial base and few large companies are operating in the state. The lack of corporate investment has made attracting CSR funding from companies difficult.

**CSR CONTRIBUTION IN BIHAR: AN APPRAISAL**

From the above-mentioned data, it becomes crystal clear that CSR funding and expenditure in Bihar is not satisfactory. Yet some PSUs and private companies are active in the state on the social welfare front. Various government-owned organisations like REC, NTPC, ONGC, IBM and others as well as private companies like ITC Ltd., JM Financial, HDFC Bank etc. are making strides in the welfare of the state. Some CSR projects such as the adoption of Bakhri village of Muzaffarpur district by Gnarly Troop, a non-profit organisation; the CSR initiative by consumer health and hygiene company Reckitt; Indian Oil Corporation’s robotic scavenger to end the practice of manual scavenging in Patna, Allana Group’s healthcare initiative; ISM Patna’s education programme are worth mentioning to ensure sustainable development in the state. Recently in a two-day Global Investors Summit on December, 14-15, 2023 MoUs for investment totalling over ₹50530 crore have been signed in the development sector. Sector-wise breakup for investment signed is shown in the Figure 3 depicted below: -

SECTOR	NO. OF INVESTORS	AMOUNT IN ₹
<ul style="list-style-type: none"> <li>• General Manufacturing</li> <li>• Food Processing</li> <li>• Services</li> <li>• IT and ITes</li> <li>• Textile and Leather</li> </ul>	<ul style="list-style-type: none"> <li>• 99</li> <li>• 124</li> <li>• 30</li> <li>• 08</li> <li>• 17</li> </ul>	<ul style="list-style-type: none"> <li>• 31,394.14 crore</li> <li>• 14,564.11 crore</li> <li>• 31,79.81 crore</li> <li>• 717.55 crore</li> <li>• 674.81 crore</li> </ul>

**Fig. 3. Sector-wise breakup of MOUs for Investments**

(Source: - The Times of India, 15, December, 2023, Patna Edition)

### FINDINGS AND SUGGESTIONS

CSR strategies contribute to sustainable development and assist business organisations to achieve environmental, social and economic performance. However, there are some problems related to CSR, i.e., lack of community participation, failure to consider CSR's holistic view, lack of transparency, corruption and malpractices in the CSR sector etc. Geographical bias is also one of the major concerns related to CSR. This discrepancy is because of the simple reason that most companies distribute their funds to its projects which are located close to where they are based. This leads to the industrialisation of the areas that are already developed or developing. Bihar, too, suffers from this geographical bias. If business organisations invest in poverty eradication projects, livelihood programmes, rural development and environment for CSR activities in Bihar, the ground reality will be different. To improve CSR funding in Bihar the following recommendations are being made: -

- The government of Bihar should create a more favourable environment for CSR Investment.
- Setting up of industries will create vast possibilities for economic development and employment in the state.
- The government has to come up with new policies to cater to the needs of the investors. Investors look for these factors- infrastructure, raw materials, human resources, market, government support and security.
- Govt should place grievances to address critical CSR funding gaps at appropriate forums.
- Public education campaigns and other requisite initiatives are required to raise awareness of CSR among business organisations and people.

Bihar is the land of history which also needs to be known as the land of industries. Business leaders feel that Bihar now has a good opportunity to sustain its growth, so they are showing interest in investing in the state. Investing in CSR in Bihar will not only ensure the sustainable development of the state but also improve its industrial scope. It is encouraging that the state government has planned to constitute a cell to monitor the proper implementation of corporate social responsibility provisions in different organisations. Inaugurating a two-day International conference on CSR organised by Chandragupta Institute of Management Patna (CIMP) Shri Vivek Kumar Singh, Development Commissioner, Government of Bihar said, "The government is quite conscious of its duty in the implementation of the provisions of the CSR Act 2013" (TOI, Patna, December, 2023). Certainly, the steps taken by the government of Bihar can help to increase CSR spending in the state and improve the lives of the people. Let us hope for a better outcome: — यद् भावं, तद् भवति (Inner Thoughts make outer appearance).

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