



Corporate Social Responsibility: Opportunities And Challenges for Indian Corporates

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Abstract

India is one of the first nations in the world to give corporate social responsibility (CSR) legal protection. It is not a new idea, either, since many businesses have long since integrated social good into their operations. Today's CSR is similar to Gandhi's idea of trusteeship. Numerous businesses have made a major investment in their corporate social responsibility (CSR) program in an effort to preserve ecological balance and enhance the quality of life in the local community. Globally, governments push businesses to integrate corporate social responsibility (CSR) into their mission, vision, and strategic objectives in order to advance and develop society. Nonetheless, corporations must address certain obstacles associated with CSR initiatives under government oversight. Public and commercial entities need to collaborate, exchange best practices, pool resources, and make CSR a reality in India.

Objectives: The present study aims to understand the idea of corporate social responsibility (CSR), examine its possible advantages for enterprises, and look at the difficulties CSR faces in India.

Research Methodology: The research aimed to comprehend the function of Corporate Social Responsibility (CSR) in the corporate world by means of comprehensive interviews with upper management and individuals who immediately gain from CSR endeavors. In this research the descriptive technique was employed to ensure accuracy and thoroughness of the investigation and data was collected from a variety of sources, including libraries, online databases, journals, magazines, conferences, seminars, research papers, annual reports, the internet, government gazette, and company websites..

Findings: In India, corporate social responsibility is a key component of company strategy, but it faces challenges like lack of awareness, transparency, labour market competitiveness, capacity development in local non-profit organizations, media's role in spreading positive stories, and disagreement among local agencies. Rural and remote areas often lack knowledgeable non-governmental organizations, leading to a relaxed attitude. Pessimistic views from government and non-government organizations often define CSR activities as global. These difficulties are exacerbated by unclear recommendations, a dearth of community involvement, and a lack of regulatory authority. To achieve successful CSR, companies should conduct a Need Assessment Survey, collaborate on social problems, view CSR duties as community responsibility, establish environmental networks, host training sessions, and involve stakeholders.

Key Words: *Corporate Social Responsibility, Benefits, Challenges, India, Corporations, Organisations, Companies Act, 2013.*

Introduction

Indian society has a strong emphasis on corporate social responsibility (CSR), with many businesses having long-standing social good initiatives. Gandhi had a similar understanding of trusteeship to contemporary CSR. CSR involves allocating a portion of earnings to causes outside the company's scope for the greater welfare of society.

The growing global concern over the environmental and societal impact of businesses is driving them to not only achieve financial rewards but also generate social returns. CSR is a crucial process that ensures sustainable business operations that benefit customers, workers, communities, the public, and the environment. Globally, governments push companies to include corporate social responsibility (CSR) into their vision, purpose, and strategic objectives. They also push companies to take part in CSR initiatives that advance both their own and society's development. CSR is a self-regulatory process that ensures economic operations are conducted in accordance with law, ethical standards, and international conventions. It is not the same as protecting the environment or implementing recycling programs. Businesses are taught the value of abiding by the law, moral principles, people, communities, and the environment. They are also taught to consider the impact of their everyday operations on the communities, cultures, societies, and environments in which they operate.

The Term Corporate Social Responsibility has been defined in Rule 2(d) of Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR requirement has been introduced in Indian legislative fora with the introduction of Section 135 to the Companies Act, 2013. Section 135 is applicable on following classes of companies:

- a. net worth of rupees five hundred crore or more, or
- b. turnover of rupees one thousand crore or more or
- c. a net profit (as calculated under Section 198) of rupees five crore or more.

These companies are required to spend 2% of their net profit on CSR activities which are to be undertaken by the companies in accordance with Schedule VII to the Companies Act, 2013.

The Act requires companies to have a CSR Committee to oversee the CSR activities, apart from having a CSR Policy. Disclosures are also required of these things of companies' website and Annual Report. Now, A CSR project having outlay of Rs. One crore or more need impact assessment through an independent agency. The administrative overheads can't be more than 5% of total CSR expenditure.

Review of Existing Literature

CSR's original goal was to improve a business's standing and goodwill, but its importance has changed with time. Indian businesses now recognize CSR as more than just an indirect expenditure; it is crucial for them to defend themselves against competition, safeguard their reputation, and stay competitive. CSR is based on four pillars: care for workers at the workplace, concern for consumers in the marketplace, concern for society in general, and concern for the environment. These pillars are influenced by traditions, culture, faiths, and family values. Businesses must participate in CSR in order to preserve their goodwill and reputation (**Nair, 2015**). India's corporate social responsibility laws are not an attempt by the government to avoid its duties to the business community. The government aims to have the business sector play a complementary role in embracing development, incorporating development into wider society. The CSR rules are expected to promote efficiency and effectiveness in project implementation due to the flexibility given to companies in choosing and monitoring projects. It is anticipated that this harmony between social and economic incentives will motivate the corporate sector to make inclusive contributions to the nation's development. (**Sarkar and Sarkar, 2015**).

CSR has been increasing in speed over time. Corporate Social Responsibility (CSR) has emerged as a crucial business practise and strategy, garnering significant interest from large multinational corporations' management. It makes it easier for corporate operations to reflect social values. CSR is thought of as a hub for different programs meant to guarantee socioeconomic (**Shyam, 2016**).

CSR is a crucial aspect of today's globalized society, and Indian businesses are implementing CSR activities to address community concerns and advance community interests. The CSR spending aims to fulfill social commitments to stakeholders such as clients, the government, and society. Large Indian corporations are

putting more and more emphasis on CSR initiatives, by giving a portion of profits to welfare organizations. CSR can gain respect for a company, leading to employee and customer loyalty (**Kadam, 2020**).

CSR is essential for companies to attain sustainable development. Companies in India are starting to realize that their employees' actions have an impact on society and the environment in addition to the economy. CSR in the twenty-first century is about more than just making money and competing in the global economy; it is about preserving sustainable growth through CSR activities. In addition to purchasing and selling goods and services without taking the environment into account, businesses also need to work toward accomplishing sustainable goals. Three pillars—economic, social, and environmental responsibility—support sustainable business operations. It is the duty of prosperous businesses to preserve their future financial feasibility, and it has traditionally been the private sector's responsibility to meet society's requirements. However, businesses are shifting responsibilities away from the government and towards the populace and the private sector. Businesses' long-term viability and performance depend heavily on the health and wealth of the communities in which they operate. (**Patel, 2020**). In today's digitalized world, companies must be attentive to their actions and the impact they have on society, the environment, and the economy. CSR is an all-encompassing strategy that pushes companies to align their corporate objectives with their social and environmental aims. Using the "Triple Bottom Line Approach," it prioritizes profit over people, the planet, and stakeholder concerns. This is the first country in the world to enact legislation requiring CSR. One important step in integrating the corporate sector in the equitable growth and development of the country is the Companies Act of 2013's inclusion of a CSR requirement. In the initial years, businesses were expected to devote their earnings to CSR, but the most recent amendment requires businesses to donate their earnings within a specified time or deposit that number of profits into government-managed funds. As a result, all businesses that satisfy the CSR guidelines must devote a predetermined portion of their income to CSR without exception. Researchers have investigated the issues and challenges related to CSR in India and identified the many elements influencing CSR practices in Indian companies (**Samntha and Dhawan, 2020**).

CSR has evolved into an important component of Indian public policy, fostering a long-term connection with the community and expanding socio-regulatory forces. Many multinational firms are just superficially involved in CSR projects, advertising or stressing them in the media. Implementing CSR as part of a company's growth strategy is critical to its success. Companies' actions frequently have a significant impact on the society they serve. To make CSR a reality in India, commercial and governmental enterprises must interact, share best practices, and pool resources as needed. The need for more precise indicators of performance in CSR, as well as the distribution of CSR plans, is a critical challenge that corporations face today. Transparency and open communication can improve a company's trustworthiness and raise the bar for other businesses (**Kumar and Ruhela, 2021**).

CSR has emerged as a critical business activity in India, advocating the alignment of corporate operations with social and ethical objectives. It is critical to understand the motivations for CSR efforts and their significance for success. CSR has progressed from being simply a word for philanthropic giving to an ecologically responsible practice. It has proved that a single move can have a significant impact on a firm and the larger stakeholder community. Companies have proved via numerous programs and activities that they may considerably improve people's quality of life by promoting social and economic development and growth. The necessity for CSR has never been more critical, especially given India's current dire condition. Implementing a CSR system is not an easy process, but it is crucial for businesses to demonstrate their ability to make a beneficial impact on society. (**Sharma and Kumar, 2021**).

The introduction of the concept of CSR aims to encourage transparency and disclosure. The Act's Schedule VII focuses on CSR activities, emphasizing communities. However, guidelines suggest CSR should extend beyond charity and consider a business's relationship with stakeholders and operations. Over the previous five years, India's CSR has evolved, and patterns since the implementation of CSR regulations show a shift in firms' approach. (**Subramani and Shareena, 2021**).

Objectives:

- To evaluate the concept of corporate social responsibility in India.
- To analyze the potential benefits of corporate social responsibility to organizations.

- To examine the challenges faced by corporate social responsibility in India.

Research Methodology

The study sought to better understand the significance of Corporate Social Responsibility (CSR) in business, as well as the areas of CSR activities that corporations now engage in. In-depth conversations with senior management and direct recipients of CSR activities were conducted. The descriptive method of research design was chosen to achieve better accuracy and in-depth examination. Secondary data was primarily used, with secondary surveying procedures used to gather information from news stories, books, and websites. The study sought to provide a complete understanding of corporate social responsibility (CSR) and its impact on business operations. The collected data is kept for future reference.

Secondary Data

Secondary data was collected from various sources including libraries, online databases, journals, magazines, seminars, conferences, research papers, annual reports, the internet, government gazette, and business websites, among others. The data was analysed to provide a comprehensive understanding.

Issues and Challenges for Corporate Social Responsibility

- **Dearth of Cognizance among End Users:** According to a recent International Environics' poll, one in every five customers rewards or penalizes businesses based on perceived social performance, yet the majority of end users are ignorant of this.
- **Transparency in Operations:** Stakeholders, including customers, workers, communities, suppliers, investors, and activist organizations, are increasing pressure on businesses to disclose their operations transparently.
- **Increased Competition on Labour Market:** The labour market's increased competition has compelled businesses to enhance their working conditions to attract and retain qualified personnel.
- **Capacity Building:** The requirement for capacity building in local non-governmental organizations is critical due to a considerable shortage of trained and efficient entities capable of effectively implementing CSR initiatives begun by businesses.
- **Brand Building:** The media plays a crucial role in sharing positive stories and creating public knowledge about upcoming corporate social responsibility initiatives, which should be the primary emphasis of brand building.
- **Lack of Consensus:** Because of the lack of unanimity among local agencies about CSR programs, many enterprises continue to operate in the same areas where they intervene, resulting in a more relaxed approach.
- **Ignorance of Rural Areas:** The lack of expert non-governmental organizations in rural and distant areas, considered underserved, is a significant issue.
- **Negative Perspective:** Government and non-government organizations often have a negative perspective on corporations' CSR activities, often defining CSR programs as more contributory than local, limiting their understanding.
- **Unclear Recommendations:** CSR regulations are influenced by social norms, but lack clear rules and guidelines, leading to unclear recommendations for firms' social responsibility efforts.
- **Ignorance on the part of Community:** CSR operations frequently lack community involvement because the communities that will benefit from these initiatives are less interested in the actions done by businesses or organizations, resulting in a lack of community involvement.
- **Focus of generating Tax Free Funds:** CSR is a crucial aspect of the corporate sector in India, as it helps companies save money on government taxes. Many corporates generate tax-free funds for CSR activities, assuming they can save money on their taxes by participating in CSR. Companies can use this strategy to help make the corporate environment more sustainable and efficient.
- **Absence of favourable Attitude:** Many businesses lack the necessary trained staff and technological knowhow for successful CSR implementation, hindering the development of efficient policies and initiatives. The development of CSR policies is closely tied to existing expenditures, emphasizing the importance for a favourable attitude towards CSR.

- **Philanthropy Perspective:** CSR includes not only financial contributions, but also social, environmental, and economic factors. Companies should consider CSR from a philanthropy perspective, incorporating activities donated to charity and focusing on philanthropy to ensure a comprehensive approach.
- **Lack of Review and Evaluation of CSR activities:** CSR is a crucial aspect of business strategy, requiring companies to evaluate the impact of their activities on society or targeted segments. However, the situation in India remains unclear, as companies often invest in CSR due to their personal gain and publicity, neglecting the long-term benefits of CSR engagement. Therefore, it is essential for companies to review and evaluate their CSR policies to achieve their intended outcomes.
- **Lack of Accountability:** CSR operations are frequently missed due to a lack of responsibility, as there is no regulating authority to assess expenditures, resulting in the absence of any regulation or oversight.

Benefits of Corporate Social Responsibility

In today's competitive market, businesses often prioritize commercial goals and profit maximization over fulfilling their social responsibilities. However, the concept of corporate social responsibility is crucial for society's development and offers numerous benefits to businesses. It highlights the importance of corporations' duty to their communities and the benefits they provide to society.

- **Needs, Wants and Desires of End Users:** Consumers prioritize a company's reputation over their thoughts on its items. They are more likely to purchase from an environmentally conscious company. In today's world, it's not enough to create innovative products or deliver excellent service; customers want to know if the firm they're buying from is concerned about the environment.
- **Pool of Talent:** A positive public image and business culture can improve employee loyalty and retention, resulting in higher productivity. Employees are more willing to work for a company with a positive image since it improves their morale. Companies that actively contribute to society betterment through corporate social responsibility are more likely to recruit and keep talented and hardworking employees. A company that focuses its CSR culture is more likely to hire and retain personnel.
- **Better relations with Stakeholders:** These corporations are driven by a strong sense of community responsibility and are pleased to see their contributions used to benefit a worthy social purpose. Investors and vendors can engage in the company's corporate social responsibility efforts directly or indirectly as a result of their financial relationships.
- **Improves Image and Achieve Strategic Missions:** Companies are increasingly implementing CSR to improve their image and achieve strategic missions. As CSR becomes an everyday occurrence, businesses are exploring innovative approaches to strengthen their goodwill and focus on their social duties. They are taking this seriously and bringing innovation to ensure they achieve their strategic mission while establishing a unique identity in the market. This approach aims to enhance a company's standing in the community.

Suggestions and Recommendations

To make Corporate Social Responsibility effective, the organisations involved should be focused on the following aspects:

- **Need Assessment Survey:** Businesses should conduct a Need Assessment Survey before implementing CSR activities, as this will enable them to tailor their programs to the community's challenges rather than relying solely on convenience.
- **Collaboration:** Most firms focus on comparable societal challenges, but they may work together to address lesser-known social issues, increasing their overall influence.
- **Responsibility:** Companies should view their corporate social responsibility obligations as a responsibility to contribute positively to the community rather than a burden.
- **Create Network:** Businesses can form a network of activities to address environmental challenges inside a consortium, allowing them to gain new skills while promoting CSR. Each member of the organization should understand their role in advancing CSR and expand their professional development opportunities.

- **Organize Training, Conferences and Seminars:** Companies can promote industry growth by hosting training sessions, conferences, and seminars. Financial support and industry-specific research can help expand the sector. Government regulations that encourage this can encourage businesses to contribute more. This can also lead to exemplary corporate social responsibility efforts, promoting a more inclusive and sustainable business environment.
- **Stakeholder involvement:** It is critical to a company's sustainable relationships and brand identity. Reviewing policies and extending contributions to communities can open up new path for a company with more meaningful visions and a more impactful company.

Summary

CSR is a crucial aspect of business strategy in India, but it faces challenges such as lack of awareness, transparency, increased competitiveness in the labour market, capacity development in local nonprofit organizations, media's role in spreading positive stories, and disagreement among local agencies. Rural and distant communities frequently lack knowledgeable non-governmental organizations, which contributes to a casual attitude. Pessimistic views from both government and non-government organizations often define CSR activities as global rather than local. Uncertain recommendations for CSR initiatives, lack of community engagement, and lack of governing authority adds to the difficulties. CSR is a vital aspect of today's competitive market, contributing to society's growth and offering numerous benefits. Consumers prioritize a company's reputation over its products, and businesses with a positive public image and culture are more conscious about purchasing from them. A positive public image can increase productivity, employee loyalty, and retention, and businesses that actively contribute to social growth through CSR programs are more likely to attract and keep top talent. CSR also strengthens stakeholder relationships, since businesses are motivated by a strong sense of responsibility to society and pleasure that their donations are being used for a useful social purpose.

To accomplish good CSR, businesses need concentrate on numerous factors. First, they should conduct a Need Assessment Survey to customize their programs to the community's challenges, rather than solely relying on convenience. Second, they should work together to solve societal problems that have gotten less attention, broadening the impact of their efforts. Third, they should view their CSR duties as a responsibility to contribute positively to the community. Fourth, they should establish a network to address environmental concerns and promote CSR. This will help develop new talents and advance careers. Fifth, businesses should host training sessions, conferences, and seminars to encourage sector expansion. It can be supported by research and funding, and government policies that encourage donations. This can lead to outstanding initiatives in CSR, promoting an inclusive and sustainable business environment. Finally, stakeholder participation is crucial for maintaining healthy business relationships and preserving brand identity. Reevaluating corporate policy and expanding charitable giving to local communities can lead to more meaningful visions and more influential businesses.

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