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THE ISSUE AND CHALLENGES OF CORPORATE SOCIAL RESPONSIBILITIES IN INDIA

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Abstract: One of the first nations in the world to adopt a corporate social responsibility (CSR) legislative framework is India. India's CSR concept was inspired by Gandhi's "trust" and "giving back to society" ideas. As they attempt to comprehend the local and global origins of this predicament and begin to consider remedies, people are calling for increased corporate participation. The endeavor to understand and alter the world situation gave rise to this movement. The understanding that businesses had a responsibility to act in line with cultural standards, reduce their detrimental environmental consequences, and strive to be financially stable enterprises gave rise to the notion of corporate social responsibility, or CSR. This essay seeks to provide a thorough analysis of the concept of corporate social responsibility (CSR), addressing various issues and barriers associated with its implementation in India. Studies show that corporate social responsibility (CSR) programs in India face a number of challenges. These include a lack of community participation, inadequacies in the complete CSR strategy of businesses, and difficulties with CSR implementing agencies, such as inefficiencies, a lack of transparency, and conflicts over CSR projects.

Introduction

The concept of corporate social responsibility is not new. However, over the past several years, it has evolved from being mainly a humanitarian endeavor to a strategic commitment made by the company. Changes in the global environment have contributed to the need for this paradigm shift in the way we see CSR. Companies are facing pressure to incorporate social and environmental considerations into their operations and to see success as a higher priority than profits. Growing worries about social and environmental problems including inequality, unemployment and underemployment, and corruption, as well as environmental problems like pollution, biodiversity loss, and ozone layer depletion, are the cause of this pressure. Scandals involving corporations like as Vivendi, BCCI, and Satyam have also added to this strain. It is believed that businesses are part of a larger ecosystem that supplies them with a variety of materials required for their survival. They must thus adhere to its rules and regulations in order for this system to continue functioning in the long run. Corporate social responsibility (CSR), which addresses the social role of business and sets standards for ethical business conduct that benefit the economy, the environment, and society at large, has grown in importance as a management strategy in the contemporary era. Sometimes, the term "corporate social responsibility" (CSR) is used interchangeably with terms like "corporate sustainability" and "corporate social performance." According to the World Company Council for Sustainable Progress, corporate social responsibility (CSR) is "the ongoing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, local community, and society at large". According to the UN Industrial Development Organization, corporate social responsibility (CSR) is a management concept that enables companies to integrate social and environmental concerns into their operations and stakeholder interactions. Investing in corporate social responsibility (CSR) is a way for businesses to make money and give back to the communities in which they operate. But companies assume responsibility not just out of obligation but also

because it will help them in many ways in the future. CSR efforts help a company become more respected in the community, promote inclusivity, and improve its reputation. Employees who are employed by socially aware businesses are content and glad to work for them. Employees become happy and motivated workers when their needs for self-actualization are satisfied, which increases operational performance and reduces hiring and training costs. Moreover, because of its stronger negotiation position, it may attract investors and get cheaper loans from lenders. All of these benefits eventually result in higher profit margins and competitive advantages. As a result, a company may "do well by doing good" since engaging in CSR initiatives serves its own long-term interests.

Theoretical Framework

Companies must understand corporate social responsibility (CSR) as a complex concept with four interrelated—and occasionally overlapping—dimensions: charitable, legal, ethical, and economic. Carroll's "Social Performance Model," initially introduced in 1979, states that a company has ethical responsibilities that go above and beyond its core legal and financial requirements, in addition to its normal operations and voluntary charity donations.

These four dimensions are arranged in the form of a pyramid in Figure 1

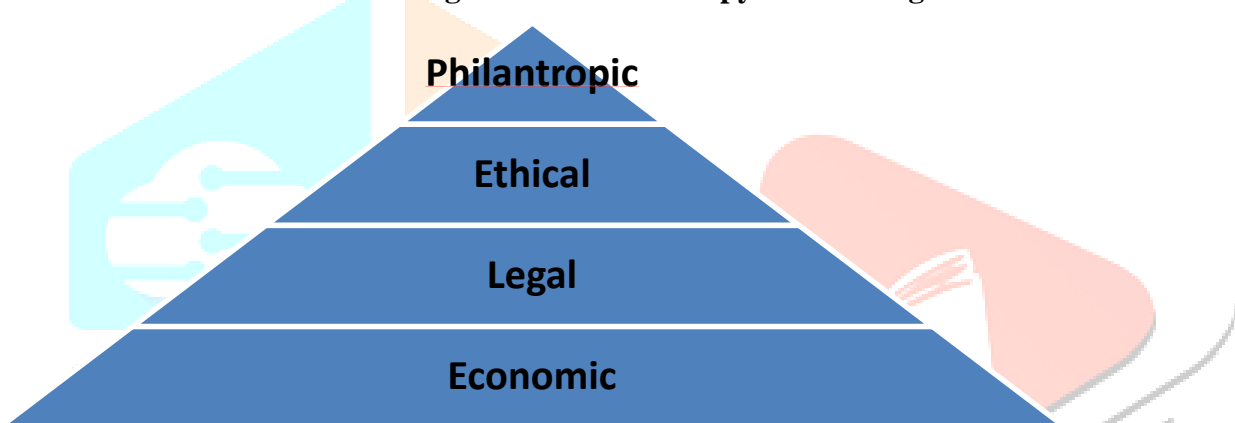


Fig 1: Dimensions of CSR. Source: Carroll, A.B. (1991). *The pyramid of social responsibility: Toward the moral management of organizational stakeholders. Business horizons, 34(4), p5*

Economic dimension: A business must turn a profit in order to stay in operation and grow since it is an economic entity. In order to promote innovation and the creation of new products and services, it should endeavor to prudently manage financial resources, pay employees a fair wage, give investors—including shareholders—a fair return on their investment, and invest in state-of-the-art technology. This dimension is the most important one since it serves as the foundation for the others.

Legal dimension: This element highlights the fact that a business cannot be considered socially responsible unless it complies with all legal requirements and set rules. It needs to follow the dos and don'ts that the relevant laws specify. The ethical component represents what the public expects from businesses that operate outside the legal boundaries. Businesses must accept these moral responsibilities if they hope to regain their social respect. It means putting into practice the right, fair, and ethically sound policies. These include following fair-trade guidelines, providing premium products at affordable costs, and acting to stop pollution.

Philanthropic dimension: Corporations fulfill these voluntary obligations using their discretion and judgment. Creating jobs for the community, constructing a house of worship, supporting educational institutions, and making charity contributions are a few examples of these responsibilities. These are the activities that boost a business's reputational social capital.

It is critical to keep in mind that the previously described dimensions are neither mutually exclusive nor hierarchical. The range of tasks' variations are the sole thing depicted in the pyramid. Economic duties are the largest, while philanthropic obligations are the narrowest. Carroll's model is seen to be the most comprehensive understanding of corporate social responsibility to date because it covers almost all of a

business's societal obligations (Lozano, 2008). A company that satisfies all four requirements in accordance with its size, management style, industry, economic situation, and other relevant mitigating variables.

Edward Freeman's "**Stakeholder Theory**," which first surfaced in the 1980s, provides a distinct and enduring viewpoint on corporate social responsibility. The main tenet of this theory is that a company should design its corporate strategy to satisfy the interests of all stakeholders since it functions in a network of relationships. A stakeholder is any person or organization that is affected or influenced by a company's decisions, according to Freeman (1994). This group consists of competitors, vendors, customers, employees, shareholders, the government, and even the general public. A business ought to act in the best interests of all parties involved, not just its shareholders. The theory outlines the expectations and demands of various stakeholders, including the following: the local community wants the organization to be an accountable citizen and work toward improving the quality of their lives; the government expects adherence to legislation; participants want fair conflict; employees want a broad definition of job satisfaction; stockholders demand appropriate returns on their investments; customers want high-quality goods and services that they can afford; suppliers seek dependable buyers; and employees want a broad definition of job satisfaction (Sims R.R., 2003). The company's stakeholders have the option to withdraw their support if it fails to meet their reasonable expectations

Study Objectives:

1. To understand the concept of CSR;
2. To discuss the regulatory framework of CSR in India;
3. To study various issues and challenges in the implementation of CSR in India;
4. To suggest ways to overcome challenges.

This descriptive study uses secondary source of data for analysis including journals, newspaper, articles, books, company annuals reports, research papers, website and more.

There are seven sections of current study:

Section 1: provides an overview of the subject and argues for the importance of CSR.

Section 2: a theoretical framework is presented and the primary contemporary approaches to corporate social responsibilities are discussed.

Section 3: The research aims

Section 4: Literature review

Section 5: A brief overview of India's CSR law

Section 6: Overview of notable Indian firm CSR activities

Section 7: The final part offers suggestions after discussing the pertinent problems and obstacles businesses have while putting CSR programs into action

Literature Review

Nicolae and Sabina discussed the various aspects and challenges of corporate social responsibility in 2010. We looked at the legal, ethical, commercial, and philanthropic elements of corporate social responsibility. Problems pertaining to corporate social responsibility (CSR) were deliberated over, along with the necessity of altering viewpoints and redirecting endeavors to ensure its effective and efficient execution. More openness and transparency are needed in the areas of socially responsible investment, audits, and reporting

information, as well as codes of behavior and labeling. CSR may attain its objective of sustainable development by focusing on these areas.

The 2010 Australian Canadian CSR Annual Review states that our understanding of CSR is continuously evolving. Some of the major obstacles to corporate social responsibility (CSR) adoption include the incapacity to incorporate CSR with organizational beliefs and practices, the difficulty of creating an economic case for it, and the absence of organizational commitment to CSR. The first three are closely related to not having enough money or time to conduct CSR projects. If it is hard to make a business case for corporate social responsibility (CSR) or link it to critical organizational tasks, a company will be reluctant to invest resources, such as money or time, in such activities. These obstacles also draw attention to another set of study findings: respondents viewed corporate social responsibility (CSR) as a means of managing stakeholder concerns, lowering risk, and managing regulatory ramifications rather than as a strategic source of competitive advantage.

Arevalo and Aravind (2011) conducted a survey among managers of selected firms involved in corporate social responsibility (CSR) efforts, such as the UN Global Compact, to capture a range of industry elements. The elements that support and obstructs the successful application of CSR were discussed. They found that the biggest obstacle to the successful implementation of CSR is a lack of finance, that Indian firms adopt the stakeholder's approach to CSR, and that ethics and values are important CSR motivators. Researchers think Indian corporations have the right framework to carry out corporate social responsibility (CSR) successfully; inclusiveness is required.

According to Prem Lata and Agarwal A. (2013), who looked at a sample of Indian companies' corporate social responsibility (CSR) initiatives the majority of them are trying to improve their social and environmental performances by putting in place a variety of strategies, the most prominent of which are social audits, environmental certification, and CSR related code of conduct. The poll also found that the absence of suggested remedies and cooperation between the public and commercial sectors is the primary barrier to the adoption of CSR.

According to Kumar N. (2014), who also looked at the challenges and impacts of CSR in India, a CSR initiative has a big impact on the company and society. The paper suggests that companies should adopt a comprehensive strategy to corporate social responsibility and increase public knowledge of the matter in order to get favorable results. When Shyam R. (2016) looked at the challenges Indian companies had when putting CSR efforts into practice, he found that the primary concerns were transparency, visibility and a lack of community interest. The research suggested using strategic thinking and expertise by corporates to get over these barriers.

Prieto-Carron et al. (2016) aimed to contribute new insights to the CSR research. They talked about how corporate social responsibility (CSR) programs work, how business and poverty are related, how to deal with powers and participation issue in CSR, and how CSR relates to governance. They contend that current research on corporate social responsibility (CSR) focuses on only one facet and ignores a number of sensitive CSR related concerns. It is essential to evaluate the advantages and disadvantages of CSR initiatives in developing countries. They suggested that academics and practitioners collaborate on CSR research initiatives to develop more potent impact evaluation methods.

Research was done on a variety of CSR related issues and challenges by Saxena (2016). The author researched the development of corporate social responsibility (CSR) in India both before and after 1900. The stakeholder paradigm of corporate social responsibility is now employed by Indian corporations. There has been a stakeholder model since the start of the 20th century. Profit, planet and people are its three bottom lines of operation. Today's primary drivers of corporate social responsibility (CSR) are perceived to be the government, labor unions, investors, and consumer expectations. It is believed that the main barriers to CSR are things like limited vision, lack of infrastructure, lack of consensus, and visibility. Increased public awareness of CSR is necessary for several corporations' entities to apply it effectively.

CSR Legislation in India

With the passage of the firm's statute, 2013, the Ministry of Corporate Affairs, Government of India, launched one of the biggest trials in history. The statute requires firms to engage in corporate social responsibility (CSR) programs that support social welfare initiatives. Additionally, the Companies (CSR Policy) Rules, 2014, which went into effect in April 2014, specify how businesses must abide by the Act's CSR standards (www.gov.csr.in/csr/global). The Act's Schedule VII, Section 135 provides specific guidelines for CSR. The legal provisions relating to CSR are included in Schedule VII of the Companies Act of 2013 and Section 135 of the Corporate Social Responsibility Rules of 2014. Firms with a net worth of at least Rs. 500 crores, a turnover of at least Rs. 1000 crores, or a net profit of at least Rs. 5 crores, including its holding and subsidiary firms, are required to comply by the laws of corporate social responsibility. Such a corporation should establish a CSR committee under the Board, which shall have the authority to ensure that the business adheres to its CSR policy and allocates, in each of the business's fiscal years, no less than 2 percent of its average net earnings from the preceding three financial years. In the past, companies that did not comply had to justify their actions in order to be spared from repercussions. However, if a company is unable to use the entire amount for CSR activities, it must transfer the funds to one of the funds specified under schedule VII, such as the Prime Minister's National Relief Fund, within 30 days of the end of the third financial year, according to the most recent (2019) amendment to Section 135 of the Companies Act, 2013. If a firm breaches Section 135 it will be fined double the amount that hasn't been spent, or one crore rupees, whichever is less. In addition, authorities who disobey may face a severe jail sentence of up to three years.

Schedule VII suggests the following CSR activities that may be taken up by corporates:

1. Eradication of Poverty, health care promotion, promotion of education (including special education), environmental sustainability and gender equality.
2. Promotion of healthcare and sanitation.
3. Offering support for education and employment that can enhance vocational skills.
4. Encouraging gender equality, empowering women, setting up old age homes, daycare centers, etc.
5. Measures to promote sports.
6. Protection and restoration of historical buildings, setting up public libraries.
7. Ensuring environmental sustainability e.g., contribution to the Clean Ganga Fund.
8. Contribution to Prime Minister Relief Fund or similar funds aimed at relief and welfare of vulnerable groups like scheduled castes, scheduled tribes, minorities, especially-abled or women.
9. Slum area development.

Schedule VII suggests the following CSR activities that cannot be incurred by corporates:

1. To cater their employees or contribution to the political parties or any venture into any overseas activities.
2. Expenditure on the regular business running, marketing, market promotion for products or services, any licenses or statutory obligation in India.

CSR initiatives by Indian companies

Table 1 lists some of the prominent companies that have integrated CSR as a corporate strategy. These companies have been consistently ranked high in CSR efforts

Table 1: CSR initiatives by Indian companies

S.No	Company	CSR information
1.	Infosys	One of the first companies to embrace corporate social responsibility was Infosys. In collaboration with Bangalore Metro Rail Corporation Limited, they have undertaken initiatives such as the rehabilitation of Karnataka's water bodies and the building of metro stations. Through their Go Sports Foundation, they are also supporting sports. They have a relief fund for Kerala, Karnataka, and Tamil Nadu as part of their CSR project.
2.	Wipro	Through Wipro Care, Wipro contributes to education and social advancement. Wipro provides health and wellness programs, rehabilitation after natural disasters, and education, among other services, to the underprivileged. Additionally, Wipro Eye, which encourages ecological sustainability in its activities, has been introduced.
3.	Tata Group	One of the most prominent supporters of sustainability in recent years has been Tata Chemicals. The firm works with local communities to create an eco-friendly and sustainable habitat, and it has started a number of environmental conservation activities and projects. In FY 2020–21, the firm invested Rs. 21 crores in its CSR initiatives. Tata Power has prioritized empowering women in the Gujarati Kutch area through its Self-Help Groups. This program offers loans and financial assistance for housing, buying livestock, starting a company, getting married, getting an education, and paying for medical expenses. For the last 100 years, Tata Steel has dedicated itself to Jharkhand's socioeconomic advancement. Improving the standard of living in the communities it serves is the CSR committee's agenda item. In addition, they established a mobile hospital that provides healthcare to underserved areas of India and a train known as Lifeline Express ^l . They have also carried out a number of AIDS awareness campaigns.
4.	ITC	ITC has always engaged in significant corporate social responsibility work in India. Through its 2,334 Supplementary Learning Canters, it has provided education to over 2,52,329 children as of March 2021. Through 1183 self-help groups, they have also empowered around 15378 women. The company's Social Forestry initiative greened 30,439 acres of land in FY 2020–21 as part of its environmental policies.
5.	Reliance	Reliance has stepped up to ensure the safety of the Balangir district's inhabitants. For them, there is a life insurance scheme. The goal of the Education for All ^l campaign is to provide everyone in India access to high-quality education. They strive to defend the rights of disadvantaged kids, girls, and people with disabilities to an education. They also donate to funds for disaster assistance.

Source: <https://thecsrjournal.in/top-100-companies-india-csr-sustainability2021/>

Issues and Challenges in India

To be sustainable over the long term, a business must find a balance between the objective of profit maximization and societal and environmental considerations. However, there are a few significant issues and challenges that companies face while implementing CSR programs. They are listed in the following order:

Failure to consider a holistic view of CSR: These days, a lot of companies still participate in CSR to uphold their reputations or comply with legal regulations. Consequently, there is a dearth of passion when it comes to CSR. Many businesses do not believe that corporate social responsibility can ultimately increase their bottom lines. According to a number of research studies (Govindarajan and Amilan 2013; Boutin-Dufresne and Savaria 2004; Laskar and Maji 2017; Andersen and Dejoy 2011; Hart and Ahuja 1996), corporate social responsibility (CSR) increases a business's profitability by cultivating customer loyalty, drawing in and keeping quality workers who value self-actualization over financial incentives alone, averting costly class action lawsuits, and lowering volatility and diversifiable risk. Thus, a paradigm shift in the outlook of these companies is the first and foremost challenge in CSR interventions

Lack of sufficient financial resources and infrastructure: Large capital expenditures are sometimes required for corporate social responsibility initiatives, therefore businesses must carefully weigh the benefits and drawbacks of doing them. Businesses need to plan and prioritize their investments very carefully. Businesses with limited resources, whether operational, financial, or infrastructure-related, may find it challenging to implement CSR. Large capital expenditures are sometimes required for corporate social responsibility initiatives, therefore businesses must carefully weigh the benefits and drawbacks of doing them. Businesses need to plan and prioritize their investments very carefully. Businesses with limited resources, whether operational, financial, or infrastructure-related, may find it challenging to implement CSR.

Lack of community participation: There is a lack of interest in the local community to participate in or contribute to corporate social responsibility programs. This may be largely explained by the lack of any real attempts to spread the word about corporate social responsibility (CSR) and build community confidence in these sorts of initiatives. The issue is made worse by a lack of grassroots connections between the company and the community.

Need to build local capacities: Particularly in remote and rural areas, there is a dearth of skilled and capable local non-governmental groups that can effectively assist the continuing CSR projects. This limits the scope of CSR initiatives and seriously impairs their capacity to grow.

Lack of transparency: A company can participate in CSR programs on its own or by contributing to nonprofits or regional implementation agencies. In a survey conducted by TNS India and IRRAD to understand the underlying dynamics of CSR and the current situation in India, the sample companies stated that there is a lack of transparency on the part of the local implementing agencies because they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment, and utilization of funds. The development of trust between companies and local authorities is essential to the success of any local CSR program, and the aforementioned lack of transparency has a negative influence on this process.

Lack of consensus on CSR implementation: Business houses repeat their efforts in places where they can participate in CSR programs since local groups cannot agree on these projects. The pointless competition between companies and local implementing agencies undermines the main objective of corporate social responsibility.

Gaps in planning, execution, and implementation: To be included into a company's core business plan, CSR requires long-term commitment and involvement from all organizational levels. A CSR program won't work as planned if it has any of the aforementioned problems. Developing, implementing, and carrying out a CSR program successfully is necessary for achieving optimal efficiency.

Conclusions and suggestions

These days a major item on the worldwide business agenda is corporate social responsibility. But before theory can be used in practice variety of obstacles and challenges need to be overcome. In light of this, the article recommends the following:

- Companies that wish to prosper and be long term sustainable need to consider corporate social responsibility. It is not limited to serving as a band aid solution for upholding legal compliance or managing reputation.
- Raising public awareness of CSR is necessary to improve the efficacy of CSR initiatives. The media might use this awareness raising to highlight the commendable efforts that companies are doing out. It will cause a change in the public's perspective of corporate social responsibility (CSR) initiatives.
- CSR need to be a required subject or discipline in all schools, colleges and institutions. It will increase students understanding of the role firms play in carefully balancing profits with societal issues, as well as social and development difficulties.
- The government should recognize and honor corporate giants for their contributions to the environment and society, as well as the non-governmental groups they work with. This would encourage more companies to actively participate in CSR projects.
- Companies must ensure that CSR initiatives and activities are carried out equitably in both urban and rural areas. In an attempt to get media attention, a lot of firms hold social events, frequently in cities. Therefore, such policies have little effect on the poor and destitute in rural areas.
- In order to avoid duplicating efforts on similar projects in the same areas, companies who participate in corporate social responsibility (CSR) are encouraged to consider pooling their resources to establish a national CSR coalition.

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