

## **Corporate Social Responsibility in India: An Overview**

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**ABSTRACT:** *As per the Companies Act 2013, corporate social responsibility is emerging as a catalyst in socio economic development of the country. Due to the provisions of corporate social responsibility, it is evolving as a new tool of social development. It minimizes the cost as well as risks thereby, increasing the brand value and reputation of the company. CSR actions have positive impacts not only on development of the community but also in their business. The CSR activities need to be in tune with effective strategic policies so that the aim of sustainable environment, social and economic progress may be achieved. This paper is an attempt to identify the outcomes, issues and challenges of Corporate Social Responsibilities.*

**Key Words:** *Corporate Social Responsibility, Sustainable, Community, Economic Progress, Catalyst.*

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### **I. INTRODUCTION**

Today Business is an integral part of the communities. It is evident that that business builds civilizations. Corporate sectors have a key role in the socio-economic development of any country. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility intervention across the globe. Thus, we can say that CSR is one of the very important aspects of a business concern. This concept may be new to India, but the idea dates back to ancient time, where CSR, was informally practiced in the form of charity to the needy and underprivileged. CSR development has evoked the companies to increase their CSR activities as the challenges are growing, there is a steady competition in the markets during recent time (Mc Pherson, 2016). India is the new country to enact the New Companies Act, 2013 in order to inspire more number of corporations to involve themselves in the growth of the society through CSR.

### **II. THEORETICAL BACKGROUND**

Corporate Social Responsibility (CSR) evolved from its early beginnings in the 1950's. CSR as a concept found its feet more in Europe than in the US. United Nations played a significant role in universal acceptance of the idea of CSR.

The topic of corporate responsibility has been captioned under many names, including strategic philanthropy, corporate conscience, corporate citizenship, social performance, sustainable responsible business. According to Dr Ratnam the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation. Forms of CSR differ according to the country or region.

The term "corporate social responsibility" came into common use in the late 1960s and early 1970s as a result of an influential book by R. Edward Freeman, Strategic management: a stakeholder approach in 1984.

Corporate social responsibility is the procedure of assessing an organization's impact on society and evaluating their responsibilities. Corporate social responsibility is a form of corporate self regulation integrated into a business modal.

Corporate social responsibility is sustainable – involving activities that an organization can uphold without negatively affecting the business goals. Corporate social responsibility begins with an assessment of the following aspects of each business;

Customers

- Suppliers
- Environment
- Communities
- Employees

The expectations of the public have grown enormously with demands focusing and forcing companies to take affirmative action. Over time of the cultural norms of corporations 'engagement changed In India whereas In Europe notions of CSR probably developed out of the Church and a sense of ethics. In the late '90s, when consumers first started to become aware of workers' rights violations in factories around the world, apparel

and footwear brands became the target. Today, after years of intense focus on the apparel and footwear industries, people are beginning to realize that urgent action is needed in other sectors, too.

### **III. COMPANIES ACT ,2013**

Act, 2013 has introduced several new provisions which also include a CSR mandate. Ministry of Corporate Affairs had noticed it under Section 135 and Schedule VII of the Companies Act as well as in the provisions of the Companies(Corporate Social Responsibility Policy) Rules ,2014 (CSR Rules) which came into effect from 1<sup>st</sup> April 2014.

**a. Applicability :** Section 135 of the Companies Act provides the threshold limit for applicability of CSR to accompany i.e. (a) net worth of the company to be rupees 500 crore or more ; (b) turnover of the company to be rupees 1000 crore or more ;(c) net profit of the company to be rupees 5 crore or more. Further, as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

**b. CSR Committee and Policy:** Every qualifying company requires spending of at least 2 of its average net profit for the immediately preceding 3 financial year s on CSR actives. Further, the qualifying company will be required to constitute a committee (CSR committee) of the board of Directors (Board) consisting of three or more directors. The CSR committee shall formulate and recommend to the Board, a policy that shall indicate the activities to be undertaken (CSR Policy) and recommend the amount of expenditure .The Board shall take into account the recommendations made by the CSR committee and approve the CSR policy of the company.

**c. Definition of the term CSR:** The term CSR is defined under the CSR rules that includes, but is not limited to: Projects or programs relating to activities specified in the Schedule; Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as declared in the CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under Schedule VII. Flexibility is permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

**d. Activities under CSR :**The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty ,promotion of education ,promoting gender equality and empowering women ,reducing child mortality and improving maternal health ,combating human immunodeficiency virus ,acquired immune deficiency syndrome ,malaria and other diseases ,ensuring environmental sustainability , employment enhancing vocational skills, social business projects ,contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes ,the Scheduled Tribes, other backward classes ,minorities and women and such other matters as may be prescribed .In a study conducted in 2013,the environment dimension emerged as the most important factor (Pachar & Singh , 2013).

**e. Disclosures under CSR:** It was analyzed that the reporting practices range from the very sophisticated and well-established system to “a brief mention to CSR” in the annual report/director’s report. CSR reporting will continue to improve globally, but the information it contains would need to be standardized (Gautam& Singh, 2010). As per the format provided by the mandate, the companies have to exhibit in the Director’s Report (a session in the annual report):

- CSR Projects or Activities identified by the Company.
- Sector in which the CSR project is covered with reference to Schedule VII.
- Location of local areas, districts and states where projects or programs were undertaken.
- Annual budgeted expenditure against each activity that the company undertakes. Actual amount spent on the projects or programs (Directs expenditure on the projects/ programs as well as other overheads incurred).
- Detail of whether the amount was spent directly or through an implementing agency /partners.

The expenditure to be incurred on conducting CSR activities is not compulsory, but the reporting is. If the company does not spend the prescribed budgeted amount, then the company needs to give reasons for doing so. The Indian Institute of corporate Affairs (ICA) along with Bombay Stock Exchange (BSE India) is in the process of formulating a CSR Index to rank the companies on the basis of CSR activities conducted by these companies. This CSR Index is presumed to provide an indicator to stakeholders about the integrity and the quality of corporate citizenship of the company. This would help the stakeholders –investors, creditors,

employees, customers or government – to make judgmental decisions regarding the authenticity with which a company conducts its business and quality of social ownership of the enterprise. The government had forecasted an expenditure of around rupees 20,000 crores on social development through CSR activities conducted by companies. This amount, as compared to the investments made by the government in social development, is meager, but the purpose is to bring the expertise of management, innovation, and updated technology available at the corporate for the development of the nation. Thus, corporate social responsibility is no longer just an addition, it is a key differentiator.

#### **IV. PHASES OF CORPORATE SOCIAL RESPONSIBILITY:**

Among other countries India has one of the richest traditions of CSR. CSR has gone through many phases in India.

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches. However the phases are not static and the features of each phase may overlap other phases.

In the first phase charity and philanthropy were the main drivers of CSR. In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. The third phase of CSR (1960–80) had its relation to the element of "mixed economy" led to enactment of legislation regarding corporate governance, labour and environmental issues. In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy.

In 1990s the first initiation towards globalisation and economic liberalisation were undertaken. A concern for social and environmental development should be made a part of every corporate entity through its inclusion in the annual agenda backed by strong and genuine programs on/for status of employees, mobility of staff, work hours, social relations, health and safety, training, health policy, profits distribution, Outsourcing etc., Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause.

In a survey, All 82 participating organizations were asked to rate the companies with CSR initiatives and indicate their preference for best three companies. TATA Group (67 per cent) emerges as the front runner distantly followed by Infosys (13 per cent), ITC (12 per cent), NTPC (11 per cent) and ADA-Reliance (10 per cent).

In spite of having such good glorious examples; In India CSR is in a very much budding stage. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs.

#### **V. CSR IN INDIA**

CSR is not a new concept in India, Corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Several other organizations have been doing their part for society through donations and charity events.

India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. „Sustainability in Asia ESG reporting uncovered“ (September 2010) is based on four parameters viz. General, Environment, Social and Governance. In its study based on 56 companies in India, it observed that India is ranked second in country ranking in Asia and is ranked one ranking in general category. It is observed that reporting is strongly followed by companies as well as they seek international development standards. It could be attributed to the Indian government compelling the public sector companies to provide for community investment and other environmental, social and governance liabilities.

A key finding of the survey conducted in June 2008, aimed at understanding of the role of corporations in CSR, carried out by TNS India ( a research organization) and the Times Foundation, revealed that over 90 per cent of all major Indian organizations.

#### **VI. CHALLENGES OF CSR**

The survey conducted by Times of India group on CSR used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally 82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. The respondent organizations form a satisfactory percentage of 33 per cent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey.

The survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country. Responses obtained from the participating organizations have been collated and broadly categorized by the research team. These challenges are listed below:

**i) Lack of community participation in CSR activities:** There is a lack of interest of the general public in participating and contributing to CSR activities of companies. CSR is largely misunderstood by Indian businesses and their stakeholders. There is a view that businesses are already socially responsible, when they are clearly not. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

**ii) Need for capacity building of the local non-governmental organizations:** There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

**iii) Issues of transparency:** Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

**iv) Non-Availability of Well Organized Non-Governmental Organizations:** It is also reported that there is no availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

**v) Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

**vi) Non-availability of Clear CSR Guidelines:** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

**vii) Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

## VII. SUGGESTIONS

Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organization needs to recognize their own role in promoting CSR. Companies should provide wider professional development activities. Training, conferences and seminars could be organized by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organization's contribution further. Government regulations which are supporting in this direction could attract more response from organizations. All this would also lead to benchmark CSR activities.

Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

## VIII. CONCLUSIONS

Corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in „spending“ on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders' objectives.

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