

## A STUDY ON CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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### ABSTRACT

*Corporate Social Responsibility (CSR) can be stated as the continuous commitment by corporations towards the economic and social development of communities in which they operate. CSR has become an important part of the corporate strategy. Companies have CSR teams which make specific plans, policies, strategies and goals for their CSR programs and keep budgets to support them. In most of the cases, these programs are based on a clearly defined social philosophy. CSR is in a very much budding stage in India. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs. In this paper, an attempt has been done to study the concept of CSR and challenges associated with CSR in India. Eventually few suggestions have been given so that CSR initiative may be implemented successfully.*

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**Keywords:** CSR, Corporate, Society, Environment, Sustainability, Social Responsibility.

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### Introduction

Without considering the interest of the general public, no firms can continue in the long run to act as independent entities. Here comes the picture of CSR i.e., CSR plays a crucial role in an entity's brand perception; attractiveness to customers, employees, and investors; talent retention; and overall business success. Application of CSR is now considered as an investment not as a cost (Mulyadi and Anwar, 2012). CSR has widened the area of companies from stockholders to stakeholder by allocating responsibility towards all those associations which are affected by the company (Maqbool and Zameer, 2018). A company gets numerous benefits from society, so it should provide something in return to it. In current times, CSR helps to bridge the gap between privileged corporate and disadvantaged society. The developed nations lay huge emphasis on CSR and issues related to CSR attract a great deal of attention. CSR is all about returning to the society. Business now-a-days integrate social environment and ethical responsibilities to ensure their success and sustainability (Ahluwalia, 2018). For Indian businesses CSR can be a source of opportunity, innovation, and competitive advantage while at the same time providing with the opportunity to actively contribute to the sustainable development. Organizations in India have been quite sensible in taking up CSR initiatives and integrating them in their business processes (Shyam, 2016). Nearly all leading corporations in India are involved in corporate social responsibility (CSR) programs in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society.

Every company having its holding along with its subsidiary company with a net worth of ₹500 crores or more, turnover of ₹1000 crores or more and net profit of ₹5 crores or more are mandatory to comply with all the provisions of CSR. Every company which falls under eligibility for doing CSR is required to constitute a CSR committee of the board. Board of directors of the company make sure that the particular company spends at least 2% of its average net profits made during the 3 immediate preceding financial years, in every financial year as per its CSR policy. At the early stage, companies were required to give reasons for non-compliance and then get away with it. But, as per the new amendment (2019) of Section 135 of the Companies Act, 2013 states that if a company is not able to

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spend the target amount kept for CSR activities then it must transfer the amount to a fund which is prescribed under schedule VII, for example, Prime Minister's National Relief Fund. Within 30 days after the date of closure of the 3rd financial year, the unspent amount of money has to be transferred to the particular fund. If any company contravenes with the provisions of Section 135, it is mandatory to pay a fine which ranges from ₹50,000 to ₹25,00,000. At the same time, officers shall be liable for imprisonment of upto 3 years. The penal provision of the act compels all the corporate entities fulfilling SR criteria to perform Corporate Social Responsibility (CSR) and state the penalties and imprisonment for the violation of the CSR norms.

### **Research Methodology**

Available secondary data is extensively used for the study. Different news articles, books and websites are used which are enumerated and recorded. No statistical tools and techniques are used because an effort has not been done to establish any relationship between different variables rather through discussions and analytical thinking, interpretation has been done. An attempt has been exerted to discuss in detail about the concepts of corporate social responsibility and at the same time, in this research paper, it has also been discussed to identify the challenges in execution of corporate social responsibility.

### **Review of Literature**

**Gamit (2022)** observed in his studies that with the emergence of the cases of Covid-19 in India, different companies have taken initiative regarding CSR activities towards the measurement for the pandemic. Some companies rendered services by manufacturing and distributing mask, oxygen, medical equipments, machineries etc. But most of the companies had given their contribution in PM-CARE fund as well as state government relief fund. These types of activities by the enterprises exhibit their sense of responsibilities towards the society.

**Vishika (2019)** remarked in his research that CSR is not confined to any particular boundary and at the same time, it is not a new concept in India. Most of the big companies have got the importance of being associated with society for relevant causes as a means of protecting the goodwill and reputation of the business, defending criticism from outsiders and increase business competitiveness by CSR. Better to say, it paves the way to do well for the enterprise and get self-satisfaction in return as well as the social obligation of the business.

**Dhawan (2019)** conducted a study on the Green HR practices by Indian companies in order to know how these practices help the environment. Most of the companies have adopted practicing Green HRM such as green recruitment, green selection, green training and development, green performance appraisal, green retention etc. in every aspect of HR practice in the company. Companies try to integrate their objectives of profit maximization with environmental objectives by considering green measures in each HR activity. If it is done with proper planning and strategy it will create a healthy environment for the business.

**Ahluwalia (2018)** has exhibited in his studies that Indian companies and businesses carried out CSR as a philanthropic activity for decades. But a transformation has been witnessed under post amendments in the Companies Act, whereby Section 135 made it mandatory for the enterprises to comply with the spending of a designated percentage of earnings and Schedule VII of the Act listed a set of activities to be carried out. Emphasis has been shifted from institutional building to sustainability. It has also been remarked that enterprises disclose CSR activities on their official websites, publishing CSR and sustainability reports and annual reports.

A study has been conducted by Singh (2017) on CSR after Companies Act 2013: A Case Study of Bharti Airtel. It has been found from his study that Airtel is one of the leading telecom companies which maintain its CSR activities in the area of education, eradicating poverty and hunger, gender equality and women empowerment, environment, disaster relief and waste management etc.

### **Objectives of the Study**

The following are the objectives of the present study:

- To understand the concept of CSR
- To identify the challenges in execution of Corporate Social Responsibility.

### **Concept of Corporate Social Responsibility**

What is Corporate Social Responsibility (CSR)? In fact, there is no single definition of this concept. Though it is not a new concept, it has been developed conceptually both in academic literature

and in business. Milton Friedman and other neo-classical sustainers of the concept known as the 'shareholder model' expressed their view that companies are not liable for society as a whole. They said that only individuals have social responsibilities, while companies seek only the welfare of shareholders. "There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Milton Friedman, 1970). The shareholder model has been criticised by scholars. Bowen (1953) developed the notion of social responsibilities of business people in a broad way than exclusively profit-seeking. He was one of the first authors who tried to define CSR. According to Bowen, CSR is the policies, the decisions, and the actions that interlink with the goals and values of society. As a modern term, CSR has already been introduced during the 1950s (Bowen, 1953). Different perceptions of CSR have generated a series of misunderstandings and have created barriers for organizations in the way they approach CSR opportunities and challenges. Although the concept of corporate social responsibility (CSR) has been very much debated for over 50 years, there is no consensus and a generally valid definition (Carroll, 1991). Some of the definitions of CSR are as follows:

#### **Definitions of Corporate Social Responsibility**

According to International Labour Organization "CSR as a way in which enterprises give consideration to their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors".

According to World Bank "Corporate Social Responsibilities is commitments of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life in ways that are both good for business and good for development".

According to The World Business Council of Sustainable Development "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as local communities and society at large".

According to ISO 26000 "The Responsibility of an organization for the impact its Decision and activities on society and environment through transparent and ethical behavior".

The World Business Council for Sustainable Development (WBCSD) defines CSR as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large".

Kotler and Lee define CSR as "Corporate social responsibility is a commitment to improve community well-being through discretionary, business practices and contribution of corporate resources. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitments to corporate social responsibility"

**European Union (EU):** It describes CSR as "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large".

#### **CSR: Opinions of Various Indian Corporates**

- **Dr. Abdul Kalam**, former President of India (2012): Sustainable development refers to a mode of human development in which resource use aims to meet human needs while preserving the environment so that these needs can be meet not only in present, but also for the generations to come.
- **Azim Premji**, Chairman of Wipro limited, (1998): Corporate Social Responsibility aims at fundamental social development. In Indian context, it means an attempt to realize the vision of just, humane and equitable society and where every action, however small, is driven by this larger vision, that is real social action.
- **Ratan. J. Tata**, Chairman, Tata Group: The developing world has two options. The first is to sit back and react when problem arises. The second is to act as a conscious citizen and rise above our vested interest for the sake of future generation, so that the history does not records that we have deprived them of their livelihood.

- **Narayana Murthy**, Infosys Founder (2012): social responsibility is to create maximum shareholder value working under the circumstances, where it is fair to all the stakeholders, workers, consumers, community, government and the environment.

### **Challenges of Corporate Social Responsibility**

There are number of challenges to the implementation of CSR. These are discussed below:

- **Less Awareness of General Public**  
General public takes less interest to participate and contribute to CSR activities of companies. This is due to the fact that they have less or no knowledge about CSR. Moreover, the scenario has become complicated due to lack of communication between the companies involved in CSR and the general public at the grassroots.
- **Need to Disclosure**  
There is a need to disclose all the relevant activities of the corporate from stakeholders including customers, suppliers, employees, communities, investors etc.
- **Need Skill and Trained Organizations**  
Lack of expertise organizations is another obstacle in the way of effectiveness of CSR initiatives. In fact, there is need to set up an expert non-government organisations so as to contribute efficiently to CSR interventions. Hence, it will enrich the level of CSR initiatives in India.
- **Transparency Problem**  
Some enterprises are not transparent regarding the CSR initiatives because they do not disclose information regarding their CSR projects such as utilization of funds, audit reports, CSR initiatives etc. This is the reason for which enterprises are not in a position to build up a sense of belongingness and connectivity with the society.
- **No Clear-Cut CSR Guidelines**  
Regarding statutory guidelines, there are no clear-cut guidelines or directions through which companies can go for CSR initiatives. A company can perform better if proper guidelines are available. In fact, the programmes of CSR initiatives of companies should rely on their business size and profile.
- **Narrow Perception towards CSR Initiatives**  
It is a fact that both government and non-government agencies generally exhibits a narrow perception towards the CSR initiatives of companies. Rather it considers CSR initiatives more as donor-driven which find it difficult to decide whether they should participate in such activities or not.
- **Visibility Factor**  
Media plays an important role in highlighting successful CSR initiatives because it spreads good stories about various ongoing CSR initiatives of companies. This kind of influence of gaining visibility often leads many non-governmental organizations to engage themselves in event-based programmes; in the process, very often they miss out on meaningful grassroots interventions.
- **Lack of Consensus on Implementing CSR Issues**  
Regarding CSR projects, sometimes there is a lack of consensus amongst implementing agencies. This kind of lack of consensus often leads to duplication of activities in areas of their intervention by corporate houses. It reflects in a competitive spirit between implementing agencies rather than building collaborative approaches on issues. This factor confines company's capabilities to undertake impact assessment of their initiatives from time to time.

### **Suggestions to Overcome Challenges of CSR**

In order to successfully implement CSR initiative in India, it is essential to take some effective remedial steps to overcome the challenges which are as follow:

- There is need to create awareness towards CSR initiatives among the general public.
- A clear-cut guidelines, directions and principals regarding CSR programmes should be given by the concerned authority.
- In order to make CSR initiatives more effective, there should be joint efforts by the government, customers, organisations, stakeholders and general public.

- The government should take initiative to reward the business houses those who are working good in the area of CSR to motivate them and amplify the scale of CSR in India.
- Companies need to be transparent and visible about the CSR projects i.e., to display all the data and information regarding the CSR initiatives.

### Conclusion

In fact, CSR is neither an objective nor an option but an environment offering challenges and opportunities that can be shaped. The concept of corporate social responsibility is now firmly considered as global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR along with the dissemination of CSR strategies. Put it another way, there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. It is quite impossible to change on behalf of one single entity to bring about change as the scale is enormous but effective partnerships between corporate, NGOs and the government will place India's social development on a faster track and can lead the world's most developed nations.

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