

CORPORATE SOCIAL RESPONSIBILITY: CHALLENGES IN INDIA

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ABSTRACT

Business homes are a type of social entity. They require societal assistance in order to succeed and live longer. As a result, it is the responsibility of businesses to give back to the community and contribute to it through CSR efforts. India became the first country to mandate the law regarding corporate social responsibility. The purpose of this paper is to investigate and examine the concerns and challenges of CSR in India, as well as to propose solutions to address them. It also brings out the government's inclination towards the laws of corporate social responsibility in the country. The data for this study was gathered from secondary sources such as journals, research papers, magazines, and other institutional reports, as well as dissertations, theses, books, articles, newspapers, and websites.

KEYWORDS: Social Entity, Societal Assistance, CSR Efforts, Corporate Social Responsibility.

Introduction

CSR is a concept in which businesses in all parts of their operations serve the interests of their customers, employees, shareholders, communities, and the environment. CSR is viewed by the government as a business that contributes to the country's long-term development goals. CSR is becoming more widely recognised as a new and rising type of corporate governance. It is fair to state that corporate India has done an outstanding job of fulfilling its CSR obligations and making revolutionary changes to the country by improving social well-being and uplifting the poorer parts of society.

CSR (Corporate Social Duty) is a term used to describe a company's responsibility for environmental, ethical, social, and economic issues. CSR is not a new concept in India, and Mahatma Gandhi's concept of trusteeship, championed by the father of the nation, has been accepted by many corporations in various ways throughout the years.

Corporate social responsibility (CSR) is a self-regulatory corporate strategy that focuses on delivering economic, social, and environmental advantages for all parties concerned (employees, consumers, investors and other groups). The goal of corporate social responsibility (CSR) is to encourage corporations to operate ethically and to work toward a more positive impact on society by assuring long-term growth.

Now, "The business of business is not only business", as proclaimed by the old school of thought (New York Times in 1970, Milton Friedman). Today, over 90% of big corporations have dedicated Corporate Social Responsibility programmes (CSR). Almost every opportunity, most CEOs talk about their company's commitment to a wide range of philanthropy, employee involvement, and other benevolent activities.

According to Kumarmangalam Birla, (former)Chairman of the Aditya Birla Group (8th January ,2007) The days are long gone when business was just that: business. The notion that a company is nothing more than a legal abstraction devoid of emotion and soul is no longer valid. The company may

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be an economic marvel, but it falls short and frequently disintegrates if it fails to address the demands of society or acts without conscience. Today, no stakeholder—whether a shareholder, an employee, the community, or the government—would support a firm whose logic is restricted to profits at any cost, or simply to the urgent economic imperatives.

In the business world, there is a trust crisis.

And these words stood really true, Eventually the concept of corporate social responsibility emerged in India and later was legally enacted.



Government's Stand on CSR

CSR has always been viewed as a charity practise in India. With the addition of Section 135 to the Companies Act of 2013, India became the first country to make CSR mandatory for some businesses. Companies with a net worth of 500 crore or more, a turnover of 1,000 crore or more, or a net profit of 5 crore or more during the previous financial year must spend 2% of their average net earnings over the previous three years on CSR operations, according to the Act. It lists the actions that can be done as well as how companies can go about doing CSR projects and programmes.

Because CSR expenses are 'philanthropic' in nature and not 'wholly and exclusively' in the nature of business expenses, Parliament decided that they would not be eligible for a deduction under section 37 of the Income Tax Act. The goal of CSR, it was explained, is to share the responsibility of providing social services with the government by enterprises with a net worth/turnover/profit above a certain threshold. Allowing the same as business expenses would result in a one-third subsidy of the expenditure. As a result, an explanation was included stating that any expense incurred by an assessee on CSR activities will not be construed to be expenditure incurred for the purpose of business and profession.

Recent Amendments in CSR Law in India (2021)

Regarding use of CSR Funds

- Develop a more detailed, well-defined, and specialised CSR policy.
- CSR Committees will have broader tasks and responsibilities, including the creation of an annual action plan.

Spending on CSR

- Consolidates previously issued explanations on activities that are prohibited, while making an exception for Covid-19-related R&D.
- Permission to acquire/create a capital asset, provided that the NGO, project beneficiaries, or a governmental entity owns the asset.
- Administrative expenditures are still capped at 5% of CSR spending, however this no longer includes costs expended directly on project design, execution, monitoring, and assessment.

CSR Money that hasn't been Spent

- Within the timeframes required, transfer to a "Unspent CSR Account" or a fund established in Schedule VII of the Companies Act.

Impact Assessment Is Required

- Companies who spent more than ten crores on average in the previous three fiscal years are required to do impact assessments on projects with an overlay of more than one crore.
- Impact assessment costs are limited to the lesser of Rs. 50 lakhs or 5% of CSR expenditures.

Organizations at a Global Level

- Can now use the expertise of specific UN institutions for project planning, monitoring, and evaluation, as well as staff capacity building.
- NGOs

CSR Registration is Required

- All implementing agencies must register for and get a unique CSR registration number beginning April 1, 2021.
- Registrations for Income Tax
- Mandatory

Challenges for CSR

One of the challenges faced by both Corporates who want to spend their CSR funds is the inability to find suitable NGOs for implementation and implementing NGOs who cannot find the right type of funder for their projects. More often than not, Corporates continue with the same NGO to be on the safer side. Also In India, the development industry is still poorly managed and underdeveloped, particularly in rural areas where such operations are desperately required. Companies are unable to build such capacities and competencies and to carry out local development programmes on their own. There were no clear rules and processes on the guidelines that provide a distinct direction to CSR initiatives in India until recently, and there were no clear policies and procedures on the guidelines that provide a definite direction to CSR initiatives in India. According to a World Bank poll, the most significant barrier to CSR activities is a lack of adequate legislation, which is followed by cost concerns, a lack of relation to financial success, a lack of visible results, no government engagement, shifting government policy, and others. The most frequently mentioned risk connected with CSR implementation is increased operating costs, which is followed by a negative impact on profitability and more regulation.

More than 250 companies that were actively involved in CSR activities were measured by the Times of India. The study also focused on the replies from firms that took part in CSR activities, as well as the numerous obstacles they faced in various sectors of the country. The actual application of CSR has encountered numerous problems and roadblocks, which have been discovered through a number of studies. According to the findings of the study, there was a lack of interest among the general population in participating in CSR activities through various organisations. When it comes to CSR activities, many Indian businessmen and stakeholders are completely unaware of what it entails. There is a scarcity of trained human resources who can efficiently start-up and run businesses. As a result, the industry feels hampered in scaling up these efforts, limiting the scope of such achievements. The majority of the time, Indian organisations undertake these initiatives with local agencies, and these agents do not take immediate and responsible steps to come out openly with their programmes, auditing issues, and the impact on the assessment of resource and fund utilisation, as well as a lack of transparency. This lack of openness has a detrimental impact on the process of building trust between enterprises and the local community, which is a vital area for the success of any CSR activity undertaken at the local level.

Some Suggestions

- There should be increase demand from the side of stakeholders regarding full disclosure and transparency of corporate social responsibility done by organizations.
- Organizations should commit more than just financial resources, they should invest their time.
- There should be integration of programs instead of being just boxed, corporate social responsibility should be treated as a resource available to entire corporation and corporate social responsibility efforts should be actively talked about, this would mean “patting yourself on the back.”
- The government should adopt “carrots and sticks” approach towards companies regarding the implementation of corporate social responsibility.

Conclusion

Corporate social responsibility is now firmly entrenched in the business agenda of the country. However, several difficulties must be overcome in order to transition from theory to action. The need for more reliable indicators of progress in the field of CSR, as well as the distribution of CSR plans, is a major problem for businesses. Transparency and discussion can help a company appear more trustworthy while also raising the standards of other businesses. CSR policy serves as a built-in self-regulatory mechanism via which businesses monitor and assure their active participation in society. Compliances fill the void left by the absorption of business advantages. The business's potential benefits - the scope and nature of CSR benefits for an organisation might vary depending on the nature of the business, making it difficult to estimate. The smooth operation of philanthropic means frequently reveals business solutions. CSR is frequently the source of the link between social and financial performance. Corporate philanthropy is a result of altruistic efforts by businesses to improve their competitive position and the quality of their working environment.

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