



CORPORATE SOCIAL RESPONSIBILITY IN INDIA – CURRENT SCENARIO AND CHALLENGES

Raut Nileshkumar Kailashbhai

Research Scholar (Ph.D), Department of Commerce, Veer Narmad South Gujarat University, Surat, Gujarat

Article DOI: <https://doi.org/10.36713/epra14056>

DOI No: 10.36713/epra14056

ABSTRACT

Corporate Social Responsibility (CSR) was made mandatory in India by the Companies Act of 2013, thus the evaluation of CSR activities over the years has become inevitable. Any unit or business derives a lot from the society so it is the responsibility of the business or unit to contribute some portion of its annual profits. The belief that it should be allocated for the society is getting stronger today. As a result, this provision was made mandatory under Section-135 of the Companies Act, 2013.

The main objective of this research paper was to know the meaning of CSR and to get information about the existing CSR legal framework. Also, to know the present rank of Indian companies, states in CSR activities and to study what problems in implementation of CSR in India have been observed in recent years. The entire data for this research has been obtained from secondary data. This information is presented in a simple table and classification. From the findings of the study, it is known that most of the Indian companies are still not registered on the portal of CSR, and the number of companies has been decreasing in recent years which is a matter of concern for India. Identified development areas of corporate social responsibility and disparity in spending by states were also observed and other challenges are studied in this paper. Government and key stakeholders have to play an active role to overcome this problem.

KEY WORDS: Corporate Social Responsibility (CSR), Company, Sustainable Development, Stakeholders

INTRODUCTION

In my view, only when a person considers himself a servant of the society, he earns for the society, he spends for the society, his earnings are good and his business venture is creative. - Mahatma Gandhi

Any business activity originates, is shaped, and develops in society. It also ends in the society itself. Business is a very important part of society. It derives its means from society itself. Hence it is not possible to separate business activity from society. Society is mutually different organs. In the long run, only through a happy society can business strengthen its foundation. Initially believed that business should maximize profits, this belief is flawed. Currently the belief is that a business should earn a reasonable profit. A business should not make a profit in any way. Business also has responsibility towards society. This responsibility is known as Corporate Social Responsibility.

Definition of Social Responsibility

In the general sense “social responsibility is the duty of business towards society”.

Shri H. R. Brown said “Social responsibility is a business obligation to adopt policies, make decisions and take actions towards the objectives and values of society”.

Corporate Social Responsibility (CSR) is the idea that a company should play a positive role in the community and consider the environmental and social impact of business decisions. It is closely linked to sustainability – creating economic, social, and environmental value – and ESG, which stands for Environmental, Social, and Governance. All three focus on non-financial factors that companies, large and small, should consider when making business decisions.



Legal framework of CSR

The Corporate Social Responsibility concept in India is governed by Section 135 of the Companies Act, 2013, Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 wherein the criteria has been provided for assessing the CSR eligibility of a company, Implementation and Reporting of their CSR Policies. India having the most elaborated CSR mechanism and implementation strategy has started its journey to set a benchmark in attaining sustainability goals and stakeholder activism in nation building.

Corporate social responsibility has been made mandatory under the Companies Act, 2013 is Clause 135(1) of the Companies Act 2013 relating to corporate social responsibility applies to the following companies. (1) The company whose net worth is Rs. 50 crores or (2) the turnover of the company is Rs. 1000 crore or (3) The profit of the company is Rs. 5 crores. This companies must contribute 2% of the three-year average annual profit per year to business social expenditure must be incurred for responsible activities.

As per the new amendment (2019) of Section 135 of the Companies Act, 2013, Amendment of the section incorporates a provision, according to which if a company is unable to spend the target amount kept for CSR activities, then it is required to 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 required to pay a fine which ranges from Rs. 50,000 to Rs. 25, 00,000. Also, as per the provisions officers shall be liable for imprisonment of up to 3 years. The penal provision of the act bounds all the corporate entities fulfilling SR criteria to perform Corporate Social Responsibility (CSR) and define the penalties and imprisonment for the violation of the CSR norms.

Need For Corporate Social Responsibility (CSR)

To develop a good brand image of the company: Most companies can develop their image as a good brand by spending on CSR. Companies can take pride in their advertisement by saying that they are registered in CSR and attract customers from other brands which ultimately increases the company’s market share.

Natural resources can be saved: If a company spends on CSR, it means that the company is fulfilling its social responsibility. Because of this, it is ensured that the precious resources received from nature will not be wasted. CSR helps the stakeholders of the company: Various stakeholders of the company like shareholders, employees, creditors, suppliers, competitors, sanctioning bodies also benefit from CSR activities, besides this, a feeling arises in these stakeholders that the company is thinking about them.

Sustainable Development: On one hand the company fulfils its social responsibility through CSR and on the other hand it does not waste our precious resources which makes the development possible for a long time. Only such development can be termed as sustainable development. Through CSR activities, companies strive for the economic and sustainable development of the nation along with their economic development, such as some companies plant trees based on their sales, use environmentally friendly products and techniques in their production instead of the same products. Thus develops the concept of sustainable development in the long run.

Types of Corporate Social Responsibility

The four main types of CSR are

- (1) Environmental responsibility
- (2) Ethical responsibility
- (3) Philanthropic responsibility
- (4) Economic responsibility

History of Corporate Social Responsibility (CSR)

2007	2009	2010	2011	2012	2014
Adoption of inclusive growth- 11 th five-year plan	Voluntary guidelines on corporate social responsibility 2009	Parliamentary standing committee on finance- 21 st report on Companies bill, 2009	National voluntary guidelines on social, environmental and economic responsibilities of business, 2011	Business responsibilities reporting	Mandatory provision of CSR under section 135 of the companies Act, 2013 coming into effect from 01/04/2014



OBJECTIVES OF THE STUDY

- (1) The purpose of this study is to know the meaning of CSR and to examine the legal situation in India for CSR activities.
- (2) To find out about the problems faced in implementing CSR in India in recent years.
- (3) To study the trend in the CSR activities of Indian state and companies.

RESEARCH METHODOLOGY

The entire information for this study has been obtained through secondary data. Secondary data has been obtained from various sources like newspapers, government reports and websites, journals, books, thesis. For this research CSR expenditure and project figures from Financial Year 2016-17 to 2021- 22 have been considered.

REVIEW OF LITRATURE

Manisha Singh (2022) This research paper studied the CSR activities of TCS Company. Statistics of the last five years were considered for the study. On the basis of these figures, the pattern of CSR activities of TCS Company was known. The author in conclusion said that TCS company is expanding its activities mainly in areas like education and skill development, health and wellness, environment. In 2017-18, the company spent Rs 400 crore on CSR, which increased to Rs 727 crore in 2021-22, which was 2.03% of the company’s last three-year profit.

Seema G. Sharma (2009) In this paper information was given about the status of India in the field of CSR. The author said that the mantra of triple bottom line or triple P- People, Planet and Profit should be adopted for CSR. Nowadays investors also take their investment decision by looking at the social investment of the company.

Nilesh R. Berad (2011) The main objective of this research paper was to know about the issues and problems raised for CSR in India. The entire data for the study was obtained from secondary data. The major issues facing CSR in India were: Most of the companies are still far away from CSR engagement, there is no transparency in these activities, there is no organization or regulatory framework to develop these activities and companies are not required to implement CSR. It was found that implementation is also a problem.

Dr. Preeti Pandey (2020) The main objective of this research paper was to know the impact of CSR activities on India during Covid -19 period. For this all information was obtained from Papers, Generals website. The author said that very few companies were actively participating in CSR activities during this pandemic. Most companies prioritized their profit maximization goals during this time.

Dr. Sanjeev Kumar (2023) The main purpose of this research paper was to know about the importance of CSR in the current business environment. Apart from this, the theory of CSR, internal and external drives that motivate CSR were to be known. The author stated that CSR has benefits such as increased business reputation, improved relationship with stakeholders, reduction in waste, availability of new markets, etc. The author gave some suggestions to increase the impact of CSR which were as follows: Company should set CSR targets and make efforts to archive the targets, Company should pay more attention to employee engagement programs.

DATA ANALIYSIS AND INTERPRETATION

Table: 1

FINANCIAL YEAR	TOTAL NO. OF COMPONIES	TOTAL AMOUNT SPENT ON CSR (INR Cr.)	STATES AND UTs COVERED	TOTAL NO. OF CSR PROJECTS	DEVLPMENT SECTORS
2017-18	21525	17098.57	39	26585	14
2018-19	25181	20217.65	39	32071	14
2019-20	22985	24985.82	38	35290	14
2020-21	20840	26210.95	39	39324	14
2021-22	18623	25932.79	40	42440	14

Table 1 shows the number of companies registered, expenditure incurred on CSR activity and total number of CSR projects from FY 2017-18 to 2021-22. From which it can be said that the cost of CSR activities and the number of projects increased overall in these years.



Table: 2
TOP 10 COMPANIES TO CSR CONTRIBUTING IN THE YEAR 2021-22

SR. NO.	COMPANY NAME	AMOUNT (INR Cr.)
1	Reliance Industries Limited	812.33
2	HDFC Bank Limited	722.99
3	Tata Consultancy Service Limited	719.92
4	Oil And Natural Gas Corporation Limited	436.19
5	NPTC Limited	356.71
6	Infosys Limited	344.47
7	ITC Limited	333.38
8	NMDC Limited	287.33
9	Indian Oil Corporation Limited	284.03
10	ICICI Bank Limited	266.52

Table 2 shows the names of the top ten companies contributing to CSR during the financial year 2021-22 and the figure of amount spent by the company.

Table: 3
CSR SPENT: TOP 10 STATES IN FINANCIAL YEAR 2016-17 TO 2021-22

SR. NO.	STATES NAME	AMOUNT (INR Cr.)
1	Maharashtra	20412.96
2	Pan India (other centralized funds)	9606.68
3	Karnataka	7767.68
4	Gujarat	6916.09
5	Tamil Nadu	5713.25
6	Andhra Pradesh	4057.02
7	Delhi	4503.52
8	Uttar Pradesh	4084.82
9	Odisha	3505.01
10	Rajasthan	3497.15

Table 3 attempts to find out the pattern of spending on CSR by state governments during the financial years 2016-17 to 2021-22.

Table: 4
CSR SPENT: LISTED VS. UNLISTED COMPANIES

YEAR	LISTED COMPANIES (INR Cr.)	UNLISTED COMPANIES (INR Cr.)
2016-17	8826.73	5715.78
2017-18	10226.27	6872.3
2018-19	12101.48	8116.17
2019-20	14882.4	10083.42
2020-21	14208.61	12002.35
2021-22	13501.48	12431.31

Table 4 shows the statistical data on the expenditure of listed and unlisted companies from 2016-17 to 2021-22.

CHALLENGES OF CSR IN INDIA

- (1) Issues regarding CSR implementation: Even though the provision of CSR has been made mandatory in India in 2013, the current statistics show that the number of companies registered in CSR activities is decreasing significantly.
- (2) Lack of transparency: The implementation of CSR requires the support of the government and NGOs but since these two parties do not work together, there is no transparency in these activities. Sometimes the government and sometimes the companies do not fully follow the law resulting in lack of transparency.
- (3) The various stakeholders of CSR are not fully engaged in this activity: Various stakeholders of CSR like share-holders, employees, customers, creditors, competitors etc. are still not fully and directly connected with this activity. These parties have been found exploiting the loopholes of the law.
- (4) Inequality in identified development areas: There is also a disparity in the development areas identified for implementation of CSR. In 2021-22, the expenditure on CSR was higher in the field of Conservation of Natural Resources while the expenditure on this activity was lower in the sector of Technology Incubators, thus reducing the disparity.



- (5) Lack of timely CSR audit: Sometimes in Indian companies do not disclose their CSR activities and the amount spent on them due to lack of timely CSR audit.

FINDINGS OF THE STUDY

- (1) This study reveals that efforts towards CSR started in India only from the 11th Five Year Plan.
- (2) Through these efforts, CSR was made mandatory in Section 135 of the Companies Act in 2013, which was amended in 2019.
- (3) The number of companies registered in the year 2016-17 was 21525 which remained the same at 18632 in 2021-22. From the above it can be said that there is an overall declining trend in the number of companies registered in CSR. Which shows a worrying situation for India.
- (4) Most of the states and union territories of India are involved in CSR.
- (5) The number of CSR projects in India has also seen an increase in recent years.
- (6) In the year 2021-22, Reliance Industries Limited was ranked first in India with a share of CSR expenditure of Rs.812.33.
- (7) Apart from this, the share of companies like HDFC, Tata Consultancy, ONGC, NPTC, Infosys was also found to be higher.
- (8) From 2016-17 to 2021-22, the state of Maharashtra was the state promoting the highest CSR followed by Karnataka, Gujarat, Tamil Nadu respectively.
- (9) From the above figures, it is known that the share of listed companies in the stock exchange has been steadily increasing in recent years as compared to unlisted companies.

SUGGESTIONS

- (1) Government has to play an active role to expand CSR activities in a big way. CSR mandate cannot be implemented without active efforts of the government.
- (2) If CSR activities are to be increased then various stakeholders of the company have to be actively involved in these activities. Stakeholders should be convinced that spending on CSR activities is ultimately beneficial to their business.
- (3) The terminology of CSR audit rules and legislation should be simplified as much as possible. So that more and more companies, business units can be associated with CSR activities.
- (4) Diversification of CSR activities in important areas like higher education, technological innovation, eco-friendly projects, incubator management is a great need nowadays.

CONCLUSION

The importance of CSR cannot be underestimated when one-third of India's population lives in poverty even today by current standards of quality of life. UNO has also advised India that in such a situation, the government and the business unit have to shoulder the responsibility of the entire society. Thus, regarding the utility of CSR mentioned above and the problems arising in the present time, the government on one hand and companies on the other hand playing their active role will be able to increase the CSR activities in India on a large scale.

REFERENCES

1. Seema G. Sharma, *Corporate Social Responsibility in India: An Overview*, 43 INT'L L. 1515 (2009) <https://scholar.smu.edu/til/vol43/iss4/10>
2. Manisha Singh and Karan Mishra (2022) *CSR Practices in India – A case study on TATA consultancy service Limited (TCS)*, IJMR, ISSN 2455-3662, Vol- 8, Issue- 8
3. Dr. Preeti Pandey (2020) *Impact of CSR Initiatives in India during Covid- 19: An analytical study*, ISSN 2394-5125, Vol- 7, Issue- 12
4. Dr. Sanjeev Kumar (2023) *Ayudh Journal, Corporate Social Responsibility and its importance in the current business environment*, ISSN 2321-2160, Vol- 2, Issue- 93
5. Nilesh R. Berad (2011) *Corporate Social Responsibility – Issues and Challenges in India*, International Conference on Technology and Business Management, March 28-30 2011
6. <https://www.csr.gov.in/content/csr/global/master/home/home.html>
7. <https://www.mca.gov.in/content/mca/global/en/data-and-reports/company-statistics/csr-data-summary.html>