



MEANING, BENEFITS AND CHALLENGES BEFORE CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Rohini Sharma

Research Scholar, Department of Law, University of Jammu

Abstract-- Corporate Social Responsibility (CSR) is not a new concept. It has its existence even in the ancient times in the form of charity and philanthropy. The word CSR consists of Corporate which means organised business organisations, Social which means everything related to people and society at large and Responsibility which means accountability between the two i.e. organised business organisations and society. The concept of CSR is based on the principle of giving back to the society. A company takes all its business inputs from the society i.e. capital, labour, raw material and even they sell their product to the society and earn profit. So, on other hand these business entities must be under an obligation to pay back to the society. They should at least contribute some portion of their profit in the development and welfare of the society. This concept of CSR has been recognised by most of the states of the world. In 2013, the Government of India legislated the company law under which they legalised the concept of Corporate Social Responsibility. Section 135 of the Companies Act of 2013, talks about the CSR and lays down criteria for the companies which should formulate a CSR policy and undertake CSR initiatives in consistent to it. CSR has been acting as a means of welfare to the disadvantaged sections of the society. In my research paper, I have discussed the conceptual framework of CSR concept. I have discussed the meaning, various definitions, benefits and challenges before CSR in India.

INTRODUCTION

CSR is a philosophy which deals with the relationship between business organisations and society. The concept of CSR is not a new it has its root in charities and stewardship principle. The Charity principle provides that the rich and elite business class should give charities either directly or indirectly to churches and societal social groups in order to assist them, where as the stewardship principle provides that business organisations should behave as the caretakers of the society. Earlier it was carried out by the business class in the charity and philanthropy but today it has changed its form it is carried out by the companies in the form of CSR initiatives taken for education development, raising employment opportunities for the youth, poverty elevation, protection of environment and undertaking the developmental and welfare of the weaker sections of the society.

Every individual living in the society has some responsibility towards the society. Every individual as well as every institutions of the society must respect the social values of the society and adhere some set of behavioural norms. Society provides all the basic inputs to business entities required for carrying out their business operations and earn profits, so on other hand it is the duty of the business entities to pay back to the society by carrying out developmental and welfare initiatives for the disadvantaged sections of the society and environment protection. Both society and business entities are dependent on each other, business organisations cannot work in isolation. Even for the long run survival, a business



entity needs to engage itself in such societal welfare activities. It is the need of the hour for both society and business organisations.¹

Business activities of the business organisations have a direct impact on environment and its stakeholders including society at large. So, it is mandatory for business class to move forward and take such initiatives which leads to sustainable development and environment protection. Traditionally the business entities were guided by only one approach i.e. “Single Bottom Line-only earning profit”, but now the business organisations has adopted the “Triple Bottom Line” approach where it has taken under consideration the economic, social and environment aspects of the business. Under economic aspect, companies should perform their economic activities with in the sphere of ethical and legal framework. In case of social aspect, companies should carry out the initiatives which are for the welfare and development of the society and under environment aspect, the businesses should take measures for controlling pollution and emissions, enhancing energy conversation and environment protection.²

MEANING

Corporate Social Responsibility also known as CSR means giving back to the society. It is not easy to define the term CSR because it has different connotations to different societies but they all are underlined with a common denomination of bring a positive change in the lives of the people.³ Social responsibility is an important constituent between business organisations and society. Social responsibility includes the accountability of businesses towards their stakeholders and it also takes the care of issues relating welfare of the workers, human rights protection, environment protection, consumer’s safeguard and social and gender justice. CSR means responsible behaviour of business sector towards their stakeholders, stakeholders here includes workers, consumers, shareholders, creditors, sellers, suppliers, managers, society and environment.

The word CSR consists of three terms they are Corporate which means organised business, Social means everything which has a relation with people and society at large and Responsibility which means an accountability between the two i.e. the organised business organisations and the society. CSR can be defined as the process of carrying out the business activities in conformity with legal requirements and ethical values of the society. CSR is an open and transparent system of carrying out business operations while having a sense of responsibility towards the ethical values, employees, society and environment protection.

CSR acts as a self-regulation system for the business entities to monitor and ensure their business operations are in conformity with the ethical standards, statutory law and the international norms. The main aim behind CSR concept is to make business entities responsible towards its stakeholders, society and environment, which is the need of the hour. If a business

¹ Chapter 1 Conceptual Framework of Corporate Social responsibility, *available at:* https://shodhganga.inflibnet.ac.in/bitstream/10603/259941/10/10_chapter1.pdf (last visited on August 10, 2021).

² Corporate Social Responsibility, *available at:* file:///C:/Users/BEST%20BUY/Downloads/150468076240_q1.pdf (last Visited on August 11, 2021).

³ Nishith Desai Associates, “Corporate Social responsibility & Social Business models in India, a Legal & Tax Perspective”, *available at:* http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/Corporate_Social_Responsibility_Social_Business_Models_in_India.pdf (visited on August 13, 2021).



organisation wants its long-term survival than it has to be responsible and sensitive towards the welfare and needs of their stakeholders, communities and the environment protection.⁴The term CSR is also denoted as corporate conscience, corporate citizenship, social performance or sustainable responsible business.⁵

Traditionally the business organisations are only guided by the profit maximisation principle only but now they started focusing on other aspects of the business i.e. cooperation, accountability, transparency and respect to ethical standards. For business organisations profit optimisation is more important than the profit maximisation. This leads to a shift of business organisation's accountability from shareholders to stakeholders. Business organisations have realised that their long-term survival is only possible if they understand that economy is only an open sub-system of the earth's ecosystem and it is finite, non- growing and materially closed.

CSR is a way of making business world responsible towards the society. It is linked with the concept of sustainable development and encourages the business entities to take decisions while considering their economic factors, social and environmental consequences of their business activities. CSR helps to show the contribution of a company made beyond economic value and employment generation and weighs this contribution against the destruction done by the company through its business operations and product.⁶

DEFINITIONS

- Bowen also known as the father of CSR concept in 1953, defined CSR as “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.
- In 1957, Heald defined CSR as “CSR is recognition on the part of management of an obligation to the society it serves not only for maximum economic performance but for humane and constructive social policies as well”.
- In 1979, Carroll defined CSR as “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. In 1983, Carroll came with another definition of CSR: “CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible . . . then means that profitability and obedience to the law are foremost conditions to discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus, CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic”.⁷

⁴ Chapter 1 Introduction, *available at:*

https://shodhganga.inflibnet.ac.in/bitstream/10603/142067/9/09_chapter%201.pdf (last visited on August 14, 2021).

⁵ Dr. L. Usha, “Corporate Social Responsibility in India- A way to Socio Economic Development” 2 *IJARS* (2012).

⁶ Corporate Social Responsibility, *available at:*

file:///C:/Users/BEST%20BUY/Downloads/150468076240_q1.pdf (last Visited on August 15, 2021).

⁷ Shafiqur Rahman, “Evaluation of Definitions: Ten Dimensions of Corporate Social responsibility” 1 *World Review of Business Research* 166-176 (2011).



- In 2000, the European Commission describes CSR: “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.
- In 2007, the International Labour Organization (ILO) defined CSR “as a way that enterprises consider the impact of their operations on society and Corporate Social Responsibility principles are integrated in enterprises’ internal processes and interactions with stakeholders on a voluntary basis”.⁸
- In 2008, World Business Council for Sustainable Development has defined CSR: “as 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 of the local community and society at large”.⁹
- According to CSR Asia, “CSR is a company’s commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders”.¹⁰
- Philip Kotler and Nancy Lee define CSR as “the continued commitment to improve community well-being through discretionary business practices and contribution of corporate resources.”¹¹
- Business Dictionary defines CSR as "A company’s sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship through their waste and pollution reduction processes, by contributing educational and social programs and by earning adequate returns on the employed resources”.¹²
- The International Labour Organization (ILO) (2007) redefined CSR as a way that enterprises consider the impact of their operations on society and Corporate Social Responsibility principles are integrated in enterprises’ internal processes and interactions with stakeholders on a voluntary basis.
- Rule 2(1)(d) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 defines Corporate Social Responsibility as:
[“Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, but shall not include the following, namely:-

⁸ Developments in the concept of Corporate Social Responsibility (CORPORATE SOCIAL RESPONSIBILITY)”, available at:

[http://www.unescap.org/sites/default/files/6%20%20Chapter%20II_Developments%20in%20the%20concept%20of%20CORPORATE SOCIAL RESPONSIBILITY.pdf](http://www.unescap.org/sites/default/files/6%20%20Chapter%20II_Developments%20in%20the%20concept%20of%20CORPORATE%20SOCIAL%20RESPONSIBILITY.pdf)(visited on August 18, 2021).

⁹ Shafiqur Rahman, “Evaluation of Definitions: Ten Dimensions of Corporate Social responsibility” 1 *World Review of Business Research* 166-176 (2011).

¹⁰ Neha puri and Shruti Ashok, “Corporate Social Responsibility: Societal Initiatives Taken by Indian Companies” 2 *International Journal of Management Research and Business Strategy* (2013).

¹¹ Dr. Navjeet Sidhu Kundal, *Corporate Social Responsibility Concept, Genesis, Evolution and Practice* 15 (wolters Kluwer (India) Pvt. Ltd., 2019).

¹² S Geethamani, “Advantages and Disadvantages of Corporate Social Responsibility” 3(3) *International Journal of Applied Research* 372-374 (2017).



- (i) *activities undertaken in pursuance of normal course of business of the company: Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that-*
 - (a) *such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;*
 - (b) *details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;*
 - (ii) *any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;*
 - (iii) *contribution of any amount directly or indirectly to any political party under section 182 of the Act;*
 - (iv) *activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);*
 - (v) *activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;*
- *activities carried out for fulfilment of any other statutory obligations under any law in force in India.]¹³*

PRINCIPLES OF CSR

There is a set of CSR principles which are followed by the companies in designing, formulating, implementing and evaluating their CSR strategies. These principles are:

1. Businesses should ensure that none of their business activity should be inconsistent to the human rights enshrined under the Universal Declaration of Human Rights of 1948.
2. Businesses should respect the values of each culture and ensure no discrimination on the basis of gender, origin, sex, culture, faith, language, marital status, social and political affiliations and demographic variants.
3. Business entities should encourage dialogue with all stakeholders and keep a continuous channel of communication with the surrounding communities, which will help them to know their needs and requirements. Ultimately companies through their CSR initiatives can fulfil such needs and can generate a positive benefit for both communities as well as for the companies itself.
4. Companies should ensure a sense of fairness and transparency in its all dealings. Businesses also ensure that their business practices should lead to welfare and developmental progress of the society and the environment.
5. Business entities should take CSR initiatives as per the need and values of the society.

¹³ The Companies (Corporate Social Responsibility Policy) Rules, 2014, available at: <http://ebook.mca.gov.in/Default.aspx?page=rules> (Visited on August 20, 2021).



6. Businesses should make a social audit of their old and new business activities. So that they should know its positive and negative impact which will facilitate the decision making process of the company.¹⁴

THE DRIVING FACTORS FOR CSR

There are number of factors which drive the corporate world towards the CSR. some of the factors are:

1. Globalisation: Today we have cross border trade which is carried out by multinational companies. This concept of globalisation put immense need of CSR initiatives by the companies in the field of human resource management practices, environment protection and health and safety of the workers. CSR initiatives by the corporate world can play an important role in determining the business impact on labour welfare, communities and economies and what steps to be taken to curbe the negative impact if it has on any of the tree mentioned aspects.
2. Governance: the governments of the respective states and the international bodies like United Nations, the organisation for Economic Cooperation and Development (OECD) and International Labour Organisation (ILO) and internationally accepted CSR instruments has laid down certain norms, guiding principles, declarations and compacts which a company needs to follow during its business operations.
3. Sustainable development: today there is a need for sustainable development. Human beings are using the natural resources with such a high speed that it is creating a danger for the future generations. If non-renewable as well as renewable nature resources will be used with such a pace than it coming generations will not have any natural resources for their survival. Company through its CSR activities can forward a step towards the sustainable development.
4. Corporate Sector Impact: Company's size and number has an important impact on the political, social and environmental aspects of a government and civil society of the state. This raises a question about the accountability and transparency of the companies. Companies are the global ambassadors of the change and development. So, behavioural aspect of their conducting business in the society has become the matter of interest and concern, due to which CSR has also attained an important place in the business operations of the company.
5. Communication: today is the era of internet and cell phones. Anyone can see the business activities of a company and can decide that how much social it is. Whether its activities are socially responsible or destructive in nature. The media, NGOs and others can quickly trace that whether the business operations of a company has some welfare consideration towards the people and planet or not.
6. Finance: today consumers and investors are showing interest in those businesses which has a social responsible attitude, which contribute to the welfare of the society at large. Sound CSR initiatives can help in increasing the share value, reducing cost of capital and ensuring a better response to markets.

¹⁴ Chapter 1 Conceptual Framework of Corporate Social responsibility, *available at:* https://shodhganga.inflibnet.ac.in/bitstream/10603/259941/10/10_chapter1.pdf (last visited on August 21, 2021).



7. Business tool: Undertaking of CSR initiatives by a company helps the company in reducing the business risks, open up new opportunities and introduce innovations in the business, enhance the reputation and brand value of the company in the market and increases the efficiency of workers of the company.¹⁵

BENEFITS OF CSR

The companies undertaking CSR initiatives have certain benefits. These benefits are classified under two broad categories i.e. benefits for a company and benefits for society. The benefits which a company enjoy for undertaking CSR initiatives are:

1. It helps the business entities in improving their relationship with stakeholders. Company's CSR initiatives help in building trust and trust among stakeholders. Through these CSR projects a company gets an opportunity to have a direct interaction with its stakeholders and through such interaction company can have a better understanding of the needs and issues of the communities that may also affect their business operations.
2. It will also help the business entities to attract more investors. Today investors are keener to invest in those companies which have a positive reputation in the market relating its CSR activities.
3. The transparency and accountability of CSR initiatives of a company build trust and creditability with public and where a company fails to undertake its CSR initiatives with dedication than it may leads to a negative public response.
4. Through CSR initiatives a business entity can make an optimum utilisation of the non-renewable resources of the society and can have a minimisation of cost and wastage.¹⁶
5. Carrying out CSR activities enhances the morale of the employees and inspires employees to be more efficient and loyal towards the company.
6. Today consumers are very vigilant and careful, they tend to choose products of such companies which are known for their CSR activities, even their high price does not bother them.
7. Undertaking CSR initiatives helps the company in increasing the value of its brand, reduction in waste product, increases operational efficiency, more cost effective product and leads to profits at the end. In some countries their respective governments also offer tax benefits to the companies carrying out CSR initiatives.
8. Today more experienced and talented person wants to join those companies which are more socially responsible and undertake social responsible initiatives. It helps the companies to attract and retain the talented employees. This saves the company's expenditure on constant recruitment and training of new workers, which ultimately improves the efficiency of the company.
9. The CSR initiatives act as a way to step into bigger markets for the companies performing their business activities in less developed markets. As companies

¹⁵ Corporate Social Responsibility An Implementation Guide for Business, *available at:*

https://www.iisd.org/system/files?file=publications/csr_guide.pdf (last visited on August 22, 2021).

¹⁶ Corporate Social Responsibility, *available at:*

file:///C:/Users/BEST%20BUY/Downloads/150468076240_q1.pdf (last Visited on August 23, 2021).



performing CSR initiatives are preferred more than companies involved less in social responsible activities.

10. CSR initiatives help the company in its long run survival and also help in its day to day decision making process. Ultimately it leads to sustainable development.

Company's CSR initiatives also provide certain benefits to society. They are:

1. Company's CSR initiatives includes education upliftment and skill enhancement programs, employment generating opportunities, environment preventive measures and even more welfare activities for the disadvantaged sections of the society. This will help in providing a better living standard to the people and create a healthy and trust worthy relationship between company and society.
2. CSR rules adherences by the companies provide high quality product and services to the people. Companies which follow the CSR rules make defect free products and also provide complain taking mechanism to customers which enhances the customer satisfaction.
3. Undertaking of CSR initiatives by the companies lead to cost reduction which ultimately decreases the price of the product and services of the companies.
4. The CSR initiatives undertaken by the companies will create awareness among the society and may inspire the society to do the same and help the company in achieving the goals set its CSR policy.
5. The training and skill development programs organised by the companies under its CSR initiatives will help the people in finding the suitable jobs and will create knowledge and awareness among the communities.
6. Environment protection and damage control CSR initiatives of the companies help in reducing the environment pollution and replenishment of renewable resources. It will finally help in attaining the goal of a healthy planet with a sustainable development.¹⁷

CHALLENGES BEFORE CSR IN INDIA

There are number of challenges and hindrances which a company faces in India while carrying out its CSR. Some of the challenges are:

1. There is a lack of participation from public in CSR activities taken by the companies. People do not have knowledge about the initiatives and even no effective step has been taken by the companies to spread awareness about their CSR initiatives to the general masses. Lack of communication between the companies and the communities surrounding its business operational site can be a cause of it.
2. There is a need to have trained and efficient non-governmental organisations, which can contribute the corporate world in carrying out their CSR initiatives effectively and efficiently.
3. The local implementing agencies which are working with the companies in implementing their CSR initiatives lack transparency. The local implementing agencies does not make disclosure on the audit issues, impact assessment and utilisation of funds to the companies, which ultimately affect the trust building relationship between the companies and the local people which is a foundation for success of a CSR initiative.

¹⁷ Paulina Ksiezak, "The Benefits from CSR for a Company and Society" 3 *Journal of Corporate Social Responsibility and Leadership* (2016).



4. Governmental and non-governmental organisations possess a narrow approach towards the CSR initiatives of the companies. They even do not decide that they should participate in such activities for short term or long term.
5. Media always plays an active role in highlighting the best and good CSR initiatives of the companies. This is a good practice by the media. It will create an awareness among the people and even influence the other companies to carry out their CSR initiatives more efficiently. But on other hand the non –governmental organisations which are involved in such CSR initiatives will involve themselves in more event based programs and in highlighting the initiatives of the companies and missing out the main objective of the initiative.
6. There is a lack of consensus among the non-governmental organisations, as they are the party to the companies in implementing the CSR initiatives. Because of this lack of consensus, there is a duplication of CSR initiatives by the companies, this build a competitive spirit among the implementing agencies than a collaborative approach on the issues.¹⁸

CONCLUSION

CSR has taken an organised shape in recent days. It has become an integral constituent of the business entities. It has been acting as a tool for welfare of the society. Companies undertaking CSR initiatives has certain benefits for e.g helps the in retaining experienced and talented employees, build a positive reputation in the market, leads to the development of the communities, provides defect free products, increases share and brand value of the company, environment protection etc.

In India, the CSR initiatives implementation suffers certain hindrances because of lack of participation of local communities, no communication between the companies and local communities about their CSR initiatives, lack of interest shown by governmental as well as non-governmental organisations as local implementing agencies, no issuance of clear CSR guidelines and in efficient and untrained non-governmental organisations. Apart from the above-mentioned hindrances, CSR has paved a way of development for the underprivileged and weaker section of the society. It has helped the local communities to attain a standard of living. CSR has also helped in replenishing the degradation of environment. Environment has suffered a lot due to unchecked polluted activities of the business entities. Through their CSR activities in the field of environment protection, these business entities have been trying to compensate the destruction they have caused to the environment.

¹⁸ Chand singh, "CSR: ISSUES AND CHALLENGES IN INDIA" 2 *IJARIE* (2016).