

Challenges of Corporate Social Responsibility & its Execution

Dr. Nuzhath Khatoon

Associate Professor
Aurora's PG College
(Affiliated to Osmania University)

Introduction:

Corporate Social Responsibility (CSR) is a concept that is frequently used in the business world today, and India is no exception. This concept and phenomenon are more suited to the Indian context because India is a growing nation with several social commitments to the greater society. Stakeholders who support the organizations' efforts in the social and environmental spheres greatly value them.

Business practises that aim to make a profit while also being socially and ecologically responsible are known as CSR. Stakeholders, particularly society, expect businesses to act ethically, responsibly, compassionately, fairly, and sustainably.

Following are a few key definitions of CSR:

"The economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time" are all included in the phrase "the social responsibility of business" (Carroll, 1979).

CSR is described as "the continual company commitment to conduct ethically and contribute to economic progress while improving the quality of life of the employees and their families as well as the local community and society at large" by the World Business Council for Sustainable Development (WBCSD, 2000).

According to the World Bank Group, "CSR is the commitment of company to contribute to sustainable economic development by engaging with employees' families, the local community, and society as a whole to enhance their lives in ways that are good for business and for development" (World Bank, 2013).

CSR can be broadly defined as the process of conducting business in a way that has a positive impact on society. CSR attempts to achieve commercial objectives and success while upholding moral principles, the greater good and environmental protection. CSR anticipates that business will operate ethically. Business operations should focus on enhancing the lives of all stakeholders, including the workforce, their children, and the surrounding community, as well as the environment, in addition to increasing profits.

CSR is now in the spotlight due to the current global rivalry and technological innovation. Business executives are under pressure to meet stakeholder demands and expectations on schedule. Given that society expects business to be handled ethically and that failing to take these values into account would not be considered sound business practice, the social values should be given primary attention.

According to an expanding trend, CSR is currently being used as a technique to enhance brand perception and win over the market. Many CSR investments are made largely with the intention of enhancing or repairing the market image. Companies who do not prioritise CSR risk losing some of their most loyal customers (Blake and Mansour, 2010)

Businesses find it difficult to maintain the pace of advancement while still protecting the interests of future generations. The business's growth and progress strategy should strike a balance with the environment and its natural resources. When implementing CSR, sustainability must be given top priority. Concerns for society and the environment when conducting business are included in sustainability. According to D'Amato, Henderson, and Florence (2009), it is an example of a firm operating in a responsible, ethical, and caring manner toward all stakeholders, including the environment.

Objective of the Study:

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

Research Methodology:

The research paper is an attempt of systematic review of various journals, reports published and media news on CSR in India. This paper primarily examines and analyzes CSR challenges in India from ancient to present period.

Challenges in Execution of Corporate social responsibility:

Since ancient times, CSR has been ingrained in Indian society. The idea of CSR was present during the Mauryan era as well, when thinkers like Kautilya stressed the importance of ethical business practices and ideals. CSR has been formally applied since ancient times in the form of charitable giving to the underprivileged and destitute. The value of giving back to the less fortunate members

of society is also emphasized in Indian scriptures. Religion has also been a significant force in India in advancing the idea of corporate and individual responsibility to the environment, animals, and underprivileged groups of the population.

After gaining its independence, India, an agro-based nation, adopted an economic model that made the village as a whole completely self-sufficient. Every person in the hamlet had access to enough work, food, and shelter thanks to the traders, farmers, and artisans. No one would go without food or shelter. The community was strong enough to take care of both one another and the local biodiversity.

As they grew, larger businesses began to exhibit this tendency. Businesses in the area effectively invested in the wellness and happiness of the local populace. The businessmen used this as a means to give back to the community, and it was advantageous for the company because happy, healthy employees produce more for the company.

Since the beginning of the industrial revolution, industrialist families like the Tatas, Birlas, Modis, Godrej, Bajajs, and Singhanias have established foundations, educational institutions, and healthcare organizations while contributing significantly to the public good through their CSR spending.

Mahatma Gandhi's concept of trusteeship further ingrained CSR in the DNA of Indian business leaders at the time. This idea holds that capitalists should behave responsibly and treat their property as if they were trustees rather than owners.

"Supposing I have a good amount of riches—either through inheritance or through commerce and industry—I must recognize that all that wealth does not belong to me; what belongs to me is the right to an honorable livelihood, no better than that which is enjoyed by millions of others," said Mahatma. The community is the rightful owner of the remainder of my money, which must be spent for its benefit.

The evolution of CSR has been fundamental to the social and cultural advancement of Indian society. Because of this, accepting the obligatory CSR regulation was not too tough for India Inc.

Challenges to CSR implementation:

- 1. Lack of understanding about CSR in Indian society:** CSR efforts continue to receive little attention and receive little participation. Companies that engage in CSR occasionally fail to create effective connection with the affected society.
- 2. CSR Network Capabilities:** NGOs, which are used as tools for CSR execution, lack the necessary resources. For CSR implementation and follow-up, NGOs need the knowledge and professionalism. By making them more proficient and professional, this machinery needs to be revved up.
- 3. Transparency:** Some corporations are hesitant to be transparent about their CSR funds, execution, and reporting. This impedes the development of trust, which is essential to the success of any CSR program.
- 4. NGOs:** There are still not enough NGOs to carry out CSR operations in rural and isolated areas, which are in the greatest need of them.
- 5. Advertising:** Through gratifying and significant publicity, the emphasis of CSR actions can be stimulated. The focus of the publicity should not be a photo shoot.
- 6. Perception:** CSR initiatives have thus far been viewed with a limited perspective, which occasionally demoralizes the company. To get the general public to support CSR projects, widespread awareness must be generated.
- 7. Lack of clarity about CSR regulations:** CSR regulations lack clarity. The priorities of CSR concerns, the activities, and the CSR funds allocated to each sort of activity are all absent. A CSR implementation will be successful if there are clear directives and objectives.
- 8. Implementation:** Appropriate and uniform CSR activity deployment is another problem. Duplication or ignorance in some areas might occasionally result from a lack of cohesion among the implementing agencies.

Is CSR a need for businesses in India?

India is the first nation to make CSR mandatory throughout the world. Corporate Social Responsibility is now required in India thanks to requirements under Section 135 of the 2013 Companies Act. A corporation must spend at least 2% of its average net profit from the three most recent financial years on CSR initiatives, according to the law.

Who can participate in CSR?

Every firm registered under the Companies Act of 2013 and any other earlier companies law that meets the following conditions is subject to the CSR law, often known as the CSR mandate, which went into force in April 2014.

- Having a net worth of rupees 500 crores or more;
- Having an annual revenue of rupees 1000 crores or more;
- Having an annual net profit of rupees 5 crores or more.

How CSR works in India?

To carry out the programs or activities that the CSR Committee has approved, the qualified enterprises must establish one. In India, registered trusts, societies, or businesses carry out the CSR-related initiatives or activities. According to the law, CSR expenditures are not allowed for activities that only benefit company personnel and their families.

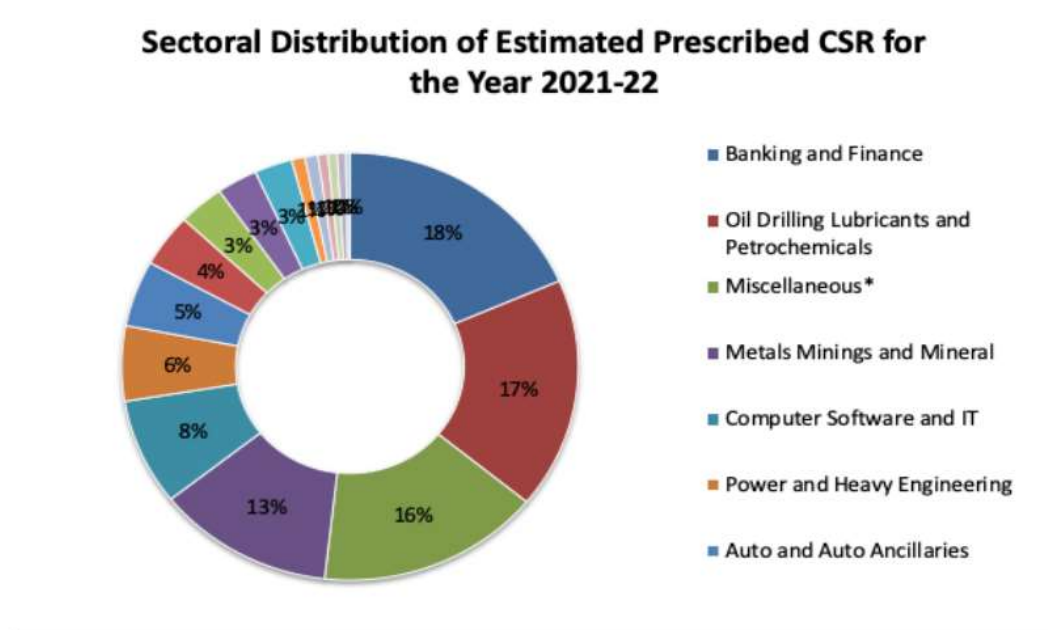
The unutilized CSR monies must be transferred to an escrow account and used within three years if a firm doesn't spend the specified amount within a year. A business will be required to transfer the remaining funds to the National CSR Fund if it fails to achieve even that.

CSR spending in India has risen year over year since it was implemented in 2014. In reality, businesses spent more money than was required for the first time in the fiscal years 2017–2018. According to the KPMG Report, the top 100 businesses listed on the National Stock Exchange spent a total of around Rs. 26,385 crore between 2014–15 and 2017–18. The biggest number of funding was allocated to areas like health and sanitation, rural development, education, and the environment.

The introduction of corporate social responsibility in India has consolidated several socioeconomic and political obstacles to good governance and pushed India Inc. to take action to overcome them. India Inc. continues to investigate the differences between their own business model and what is anticipated of them as a part of CSR in India, even if the Act itself has facilitated this process. At the same time, CSR has developed into a space for social impact organizations and engaged policy practitioners who are looking for their place in the world in many ways.

Estimated Prescribed CSR of Companies for the Year 2021-22

As per India's Corporate Social Responsibility Norms, the companies crossing the prescribed threshold are required to spend at least 2% of their average net profit for the immediately preceding 3 financial years on CSR activities. Here is compiled a comprehensive list of 510 companies and estimated their prescribed CSR for 2021-22.



*Miscellaneous category includes aquaculture, packaging paints & varnishes, breweries & distilleries, cigarettes, printing & stationery, etc.

Figure 1: Estimated Prescribed CSR of Companies for the year 2021-22

Conclusion:

A more thorough CSR approach may be developed by reviewing current processes and applications in order to make CSR meaningful and effective. To adopt any implementation strategy, CSR expectations may be explicitly kept in mind. CSR ought to be in line with the organization's vision, mission, and values. It is important to make this obvious to everyone concerned.

Another aspect of CSR transparency is reporting, in accordance with the standards set forth in law and the periodic guidelines issued by the government. Impact evaluations of CSR programs should always be carried out, preferably by a qualified outside party. Scalable, measurable, and evident results on CSR investments are possible. The ideal scenario would be one in which CSR results benefit all parties involved. The secret to success is need-based CSR deployment and proper monitoring.

Additionally, it is crucial to educate the target population about CSR programs and their implementation. NGOs involved in execution must be impartial, vigilant, and considerate. The operation of NGOs requires a very professional approach. CSR in India is still in its infancy, so it needs to be developed carefully. However, what is also admirable is the attitude with which India has embraced corporate social responsibility, leading the world's most industrialized countries in doing so.

Reference:

- Corporate Social Responsibility In India, Global CSR Summitt, July 25th, (2013). PHD House, New Delhi Retrieved from www.ey.com/...Corporate-Social-Responsibility-in-India/.../EY Corporate- Social-Resp.
- India CSR Outlook Report (2016). NGOBOX, A snapshot of CSR spend 2015-16 of 250 Big companies. Retrieved from www.ngobox.org/media/India%20CSR%20Outlook%20Report%202016-NGOBOX.pdf
- Kumar, Nitin. (2014). Corporate Social Responsibility: An Analysis of Impact and Challenges in India. vol.3, issue 5 (May 2014) online ISSN 2320-0073.
- Prabhakar, Rajeev., & Mishra, Sonam. (2013). A Study of Corporate Social Responsibility in Indian Organization: An Introspection. Proceedings of 21st International Business Research Conference, ISBN: 978-1-922069-25-2.
- Sarkar, Jayati., & Sarkar, Subrata. (2015). Corporate Social Responsibility in India - An Effort to Bridge the Welfare Gap. Retrieved from <http://www.igidr.ac.in/pdf/publication/WP-2015-023.pdf>
- Singh, Mahendra. (2016). Companies may have to spend 30% of CSR funds for Swachh Bharat Abhiyan. Retrieved from <http://economictimes.indiatimes.com/topic/CSR-spending>.
- Srinivasan., & Tendulkar, S.D. (2003). Re-interegating India with the world economy. Institute for International Economics, Washington D.C. p. 745-749
- https://ngobox.org/full-news_Estimated-Prescribed-CSR-of-Companies-for-the-Year-2021-22-CSRBOX_23357
- Economic Times-PTI (2016, Mar 10). PSUs spent over `2400 cr in CSR in 2014-15. Retrieved from <http://economictimes.indiatimes.com/topic/CSR-spending>.
- Economic Times-PTI (2016, Mar 15). Almost 76% of CSR amount spent by corporate: Finance Minister Arun Jaitley. Retrieved from <http://economictimes.indiatimes.com/topic/CSR-spending>.
- Economic Times-PTI (2016, Mar 27). Most corporate see higher CSR spending next fiscal, says survey. Retrieved from <http://economictimes.indiatimes.com/topic/CSR-spending>.
- Economic Times-PTI (2016, Jul 19). CSR: 2,351 companies spend nil, 776 firms engage NGOs. Reterieved from <http://economictimes.indiatimes.com/topic/CSR-spending>.