

CSR Practices in India: Way Ahead

Mr. Jay Ram Rana Bhat^{1*}, Dr. Manish Kumar², Dr. Sweta Singh³

¹research Scholar, Sarala Birla University, Ranchi, E-Mail-Jayaramranabhat@Bharatpetroleum.In, Jayaramrana2014@Gmail.Com

²associate Professor, Karnavati University, Gandhinagar, Manish_fmsbhu@Rediffmail.Com

³ex-Assistant Professor, The Icfai University, Jharkhand And Mit-Wpu, Pune, Sweta.Fmsbhu@Gmail.Com,

***Corresponding Author:** Mr. Jay Ram Rana Bhat

*Research Scholar, Sarala Birla University, Ranchi, E-Mail-Jayaramranabhat@Bharatpetroleum.In, Jayaramrana2014@Gmail.Com

Abstract

Corporate Social Responsibility (CSR) has become a critical part of corporate behavior, with businesses worldwide recognizing their respective role and part in addressing social, economic, and environmental challenges. Corporate Social Responsibility (CSR) in India has evolved significantly in recent years, driven by legislative changes, stakeholder expectations, and global trends. This paper explores the current landscape of CSR practices in India, analyzing the impact of the Companies Act, 2013, which mandates CSR activities for certain companies. The study examines the effectiveness of CSR initiatives, the challenges faced by corporations, and the role of various stakeholders in shaping CSR practices. Through a comprehensive review of literature and case studies, the paper identifies best practices and provides recommendations for enhancing CSR activities to achieve sustainable development goals. The findings suggest that while significant progress has been made, there is a need for more strategic alignment of CSR activities with core business objectives and a greater emphasis on measuring social impact.

Key Words: Corporate Social Responsibility, sustainable development goals, social impact

Introduction

Corporate social responsibility (CSR) is a model that requires corporation to be socially responsible to its stakeholders and the general public in addition to itself (Carroll (1979). Companies have shown social responsibility towards their stakeholders through corporate philanthropic efforts, known as Corporate Social Responsibility ('CSR'). These efforts hone to maximise the welfare of the stakeholders and take care of the societal needs at large. Corporate Social Responsibility (CSR) also refers to the ethical obligation of companies to contribute positively to society and the environment. In India, CSR has gained substantial attention with the enactment of the Companies Act, 2013, which mandates CSR activities for certain companies. This legislative move has positioned India as one of the few countries with a statutory CSR requirement, aiming to ensure that businesses contribute to societal development. This paper aims to explore the current state of CSR practices in India, the challenges faced, and the way ahead for companies to effectively implement CSR strategies.

Literature Review

Evolution of CSR in India

CSR in India has transitioned from voluntary initiatives to a mandatory compliance framework. Historically, Indian businesses engaged in philanthropy driven by cultural and religious motives. The introduction of the Companies Act, 2013, marked a significant shift by mandating CSR expenditures for companies meeting certain criteria. This legislation requires companies with a net worth of INR 500 crore or more, or turnover of INR 1,000 crore or more, or net profit of INR 5 crore or more to spend at least 2% of their average net profits of the preceding three years on CSR activities.

Impact of Companies Act, 2013

The Companies Act, 2013, has had a profound impact on CSR practices in India. According to the Ministry of Corporate Affairs, companies spent over INR 50,000 crore on CSR activities between 2014 and 2020. The Act has brought about greater accountability and transparency in CSR reporting. However, challenges such as lack of expertise, inadequate monitoring, and alignment with business strategy continues to be the biggest hurdle.

Stakeholder Expectations

Stakeholders, including investors, customers, and employees, increasingly demand responsible business practices. CSR has become a critical component of corporate reputation and brand value. Companies that effectively integrate CSR into their business models are perceived as more trustworthy and socially responsible, thereby gaining a competitive edge.

Methodology

This study adopts a qualitative approach, combining a comprehensive literature review with case study analysis. Data is collected from secondary sources, including government reports, company CSR disclosures and academic journals. The case studies focus on leading Indian companies from various sectors to understand their CSR strategies, implementation and impact.

Findings

Best Practices in CSR

- 1. Strategic Alignment:** Companies such as Tata Group and Infosys align their CSR activities with their core business objectives, ensuring sustainability and long-term impact thus echoing the line of profit with purpose.
- 2. Stakeholder Engagement:** Effective CSR initiatives involve active engagement with stakeholders. For instance, ITC's e-Choupal initiative engages farmers to improve agricultural productivity and income thus helping them achieve financial success while also impacting the society positively.
- 3. Measurement and Reporting:** Companies that implement robust measurement and reporting frameworks, like Wipro, demonstrate higher transparency and accountability in their CSR activities.

Challenges in CSR Implementation

Lack of Expertise: Many companies lack the experience and expertise to develop and implement effective CSR programs. This leads to suboptimal use of resources and limited effect.

Monitoring and Evaluation: Inadequate monitoring and evaluation mechanisms hinder the evaluation of the effectiveness of CSR initiatives. This often leads to discrepancies between predicted and actual outcomes.

Regulatory Compliance: While the Companies Act, 2013, mandates CSR activities, compliance varies from company to company. Some companies engage in superficial activities to meet legal compliances without making real commitments.

Recommendations

- 1. Capacity Building:** Companies need to invest in developing internal capacity for CSR planning and implementation. This includes training employees and hiring CSR experts and collaborating with the professionals in the domain of CSR.
- 2. Integrated Reporting:** Implementing integrated reporting practices can improve transparency and demonstrate the association between CSR activities and business performance.
- 3. Collaborative Approach:** Collaborations with non-profit organizations, government agencies, and other relatable stakeholders can enhance the scope and impact of CSR initiatives.
- 4. Focus on Impact Assessment:** Developing robust impact measurement systems can help companies measure the effectiveness of their CSR activities and make informed decisions.

Conclusion

There has been a significant change in the CSR landscape in India because of the driving forces by regulatory requirements and rising stakeholder expectations. However, despite of the notable progress, challenges remain in effectively implementing and measuring the impact of CSR initiatives. By adopting strategic, transparent and collaborative approaches, companies can improve the effectiveness of their CSR activities, contributing to the sustainable development goals and social well-being as well.

References

1. Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of management review*, 4(4), 497-505
2. Infosys. (2021). CSR Annual Report.
3. ITC Limited. (2021). Sustainability Report.
4. KPMG. (2020). India's CSR Reporting Survey 2020.
5. Ministry of Corporate Affairs, Government of India. (2020). Report on Corporate Social Responsibility in India.
6. Mishra, R., & Modi, A. (2019). CSR Practices in India: A Study on Corporate Contributions towards Society. *International Journal of Corporate Governance*, 10(1), 45-59.
7. Sharma, E. (2020). Corporate Social Responsibility in India: Evolution and Challenges. *Journal of Business Ethics*, 161(2), 249-263.
8. Tata Group. (2021). Sustainability Report.
9. Wipro. (2021). Integrated Report.