**CORPORATE SOCIAL RESPONSIBILITY: CHALLENGES AND STRATEGIES IN THE INDIAN CONTEXT**

Dr. Shibani Borah

Assistant Professor,

Faculty of Commerce and Management

Assam down town University,

Guwahati, Assam

shibaniborah@gmail.com

9707532211

# Abstract:

Corporate social obligations (CSR) have been made required for a specific class of corporations under the corporations Act of 2013, which replaces the Companies Act of 1956. With the rise of the businesses, society must also expand in a way that is inclusive. It's possible that Indian legislators introduced this law with this in mind. This research paper focuses on understanding the issues and challenges of corporate social responsibility. It has been widely acknowledged by organizations that government alone will not be able to succeed in its efforts to uplift the underprivileged society, and the pressure of CSR has dispelled the myth that the ultimate goal is not profit making, but rather trust building is viable and assertable with societal relationships and only long-term solutions. This article attempts to assess the research of corporate social responsibility (CSR) status in India and provides information on the scope of CSR compliance for businesses. We would make an effort to shed light on Indian firms' Corporate Social Responsibility (CSR), which would be beneficial for both economic and social interest. According to this concept, a business's job is to generate value for its shareholders and for society as a whole, which manifests as a win-win situation. Maintaining positive relationships with a variety of people, organizations, and groups is crucial for a company's success. Gaining the trust of the consumer is essential for expanding the business, and this is where corporate social responsibility comes in. Many groups run campaigns to raise awareness of the value of corporate social responsibility among businesses, civic organizations, and governmental agencies. All businesses come together as a single entity under the umbrella of corporate social responsibility to contribute to the wellbeing of society. It is frequently referred to as business responsibility and the response of a corporation to ethical, social, economic, and environmental problems. For the sake of ensuring equitable employment opportunities, worker safety, product safety, and environmental protection, new legal requirements were put into place. High CSR standards enable businesses to show that they are accountable to their stockholders, employees, clients, and the general public. According to the United Nations and the European Commission, corporate social responsibility (CSR) results in the triple bottom line of financial success, environmental protection, and social justice. The free exchange of goods and services in the market, according to philosopher and economist Adam Smith, is the best approach to satisfy societal needs and desires. However, it is still in its infancy in India. A recent survey found that 79 percent of Americans prefer to buy products from companies that actively engage in CSR initiatives.

In this regard, the business community in India should go above and beyond their responsibilities under the law and the rule of law to build trust among one another and take on duties relating to social responsibility.

 The papers go on corporate social responsibility's function. The paper also highlights the main problems and difficulties Indian businesses face and offers solutions for the successful implementation of CSR programs.

Key Words: Corporate social responsibility, challenges, CSR initiatives, environmental problems.

**INTRODUCTION:**

Corporate social responsibility (CSR) is a phrase that is used frequently in the world today. It is not just about making more money and surviving in the global market; rather, it is about how to compete while achieving sustainable growth. Businesses can no longer just buy and sell their goods and services without taking into account the environment in which they operate. Now, achieving sustainable goals is essential to surviving over the long term and contributing to society as a whole (Patel, ).

The foundation of corporate social responsibility, which extends beyond legal obligations in these areas, is made up of the environmental and social pillars. Any corporate firm must be economically sustainable. Most countries have laws geared toward making business the driving force behind socioeconomic progress, and as a result, the private sector has produced unfathomable growth rates, wealth, and profits (Patel, ).

Beyond what is required by law in terms of environmental and social responsibilities, the environmental and social pillars form the foundation of corporate social responsibility. Every corporate organization must be economically sustainable. The majority of countries have focused their policies on making the private sector the driver of socioeconomic development, and as a result, the sector has experienced growth rates, wealth creation, and profits that were previously unthinkable.

In the past ten years, CSR's significance has grown significantly, and it is now seen as a crucial activity by firms both domestically and abroad. As time went on, CSR grew to encompass both social and commercial concerns, as well as extending to cover both. Due to demand from the many societal interest groups, businesses are gradually becoming more transparent in their accounting and other operations. Companies are required to act morally and responsibly toward the many stakeholder groups in society and the environment. Companies began including their CSR initiatives in their yearly reports as well (Rao, Ramakrishna,2018).

As a method of putting into practice labor, environmental, and human rights norms, Corporate social responsibility (CSR) has long been regarded as a potential solution to the disparities brought about and made worse by economic liberalization and globalization. It recognizes that a corporation is more than just a self-interested business entity and that the company and its operations affect the economy, society, and environment in which they operate (Herrman, 2004). The idea of CSR has been widely incorporated with business ethics around the world in the modern socioeconomic environment. In developing nations, where economic inequalities are more prominent and society and ecology are more susceptible to environmental threats brought on by humans, the need for CSR is even more essential. India is a stunningly contradictory nation. The population of the country is severely affected by perplexing economic disparities between urban, semi-urban, and rural areas. The range of inequities in the nation has grown even further as a result of market-based economic practices. Health, education, and social security concerns for the most vulnerable members of society have become more sidelined by the developing business culture of profit and competitiveness (Rao, Ramakrishna, 2018).

**THEORETICAL BACKGROUND:**

The concept of corporate social responsibility (CSR) has developed since its inception in the 1950s. The idea of CSR gained traction more in Europe than the US. The idea of CSR was widely embraced thanks in large part to the efforts of the United Nations.Corporate responsibility has gone through many different names, including sustainable responsible business, social performance, corporate conscience, and corporate citizenship. Dr. Ratnam claimed that the meaning of the term "CSR" varied based on the stakeholder and the circumstances. CSR takes on several forms depending on the nation or location (Benchalli, ).

In the late 1960s and early 1970s, the phrase "corporate social responsibility" became widely used as a result of R. Edward Freeman's important book named - Strategic management: a stakeholder approach, published in 1984.

Assessing an organization's social impact and determining its obligations is known as corporate social responsibility. A sort of corporate self-regulation incorporated into a company model is called corporate social responsibility.

**LEGAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY (Patel , 2020 ):**

The Ministry of Corporate Affairs released the Corporate Social Responsibility Voluntary Guidelines in 2009 as part of the Government of India's formal and progressive attempts to formalize the obligations of businesses toward the Indian society and its citizens and to put the CSR issue in a concrete position. Then, through recommendations on the social, environmental, and economic responsibilities of business, further steps were taken. With the passage of Section 135 of the 2013 Companies Act, the most comprehensive attempt to mandate CSR activity for businesses was made. For the first time ever in India, it made CSR expenditure and reporting mandatory and subjected Indian corporations. However, the provisions under section 135, mandates businesses to oblige to the following-

1. To establish a Corporate Social Responsibility (CSR) Committee with at least three directors, including one independent director.
2. To spend at least 2% of the company's average net profits from the three most recent financial years each year under the direction of the CSR Committee in accordance with its CSR policy.
3. The committee's duties include developing and recommending CSR policy and supervising its implementation. The committee also has to make sure that CSR initiatives offer precedence to the neighborhood and places nearby where it works, as per Schedule VII of the Act (see Table 1 for more information). Table 1 provides a list of the activities in which businesses are anticipated to invest, if and only if-
* The net worth of the company is Rs. 500 crore or more or,
* The turnover of the company is Rs.1000 crore or more or,
* The net profit of the company is Rs.5 crore or more,

Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020 stipulate that companies may engage in CSR activities directly or through entities covered by Rule 4 subrule (1). Every company that is required to carry out CSR activities in accordance with the applicable rules or is voluntarily carrying out CSR operations must submit the web-form Addendum to AoC-4 CSR as a separate form for FY 20-21.

**List of activities in schedule VII (Patel, 2020)**

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| **1.** | **Fighting against hunger, poverty, and malnutrition, promoting health care, particularly preventative health care, and sanitation, including funding the Swach Bharat Kosh initiative, which was established by the Central Government to promote sanitation and make safe drinking water more accessible** |
| **2.** | **Promoting education, including special education, and employment enhancing vocation skills, particularly among children, women, elderly, and the differently-abled; and livelihood enhancement project.** |
| **3.** | **Promoting gender equality, empowering women, creating homes and hostels for women and orphans, establishing old age homes, daycare centers, and other facilities for senior citizens, as well as measures to lessen inequalities experienced by socially and economically disadvantaged people** |
| **4.** |  **Promoting Olympic and Paralympic sports, environmental sustainability, ecological balance, animal welfare, agroforestry, resource conservation, and soil, air, and water quality maintenance, including contributions to the Clean Ganga Fund established by the Central Government for the rejuvenation of the river Ganga;** |
| **5.** | **Establishing public libraries, promoting and developing traditional arts and crafts, and protecting the nation's art, culture, and legacy, including restoring historical structures, locations, and pieces of art;** |
| **6.** | **Measures in favor of military retirees, war widows, and their dependents;** |
| **7.** | **Training to promote Olympic, Paralympic, and rural sports that are nationally recognized;** |
| **8.** | **Donation to the Prime Minister's National Relief Fund or any other Central Government-established fund for the socioeconomic development, relief, and welfare of the Scheduled Castes, Scheduled Tribes, other underprivileged classes, minorities, and women;** |
| **9.** | **Contributions or financial support given to university institutions that house technological incubators that have received central government approval;** |
| **10** | **Projects for rural development,**  |
| **11** | **Projects for slum area development** |
| **12** | **Activities for disaster management, including actions for relief, rehabilitation, and reconstruction.** |

**CSR strategies that prioritize protection over competitive advantage:**

**Neither a present competitive advantage nor the creation of potential future business models will result from a CSR strategy that is concentrated on avoiding regulatory responsibility and keeping a license to operate in the existing business.**

**The major competencies highlighted by the respondents—ethical behavior, social accountability, and stakeholder engagement—also represent managing rules, risk, and legitimacy (license to operate). A company needs to have strong organizational learning and sustainable innovation capabilities in order to use its CSR/sustainability strategy for competitive advantage. Building sustainable business models that will result in long-term sustained competitive advantage requires these two skills. According to Ramya Sathish's article, "Corporate Social Responsibility in India: Putting Social-Economic Development on a Fast Track," many corporate social responsibility (CSR) initiatives are carried out in collaboration with non-governmental organizations (NGOs), which are skilled at working with local communities and knowledgeable about addressing particular social issues. For instance, SAP India has been working on both short-term and long-term reconstruction initiatives for the tsunami victims in collaboration with Hope Foundation, an NGO that works for the welfare of the underprivileged and the needy throughout India. Together, they also established The SAP Labs Center of HOPE in Bangalore, a residence for street children that offers them education, health treatment, clothing, and shelter. In India, CSR has advanced significantly. From responsive actions to sustainable projects, businesses have amply demonstrated their capacity to significantly impact society and raise standard of living. It is challenging for one individual to effect change in India's existing social climate because of the size of the problem. Corporate entities have the knowledge, the ability to plan strategically, the resources, and the funds to support significant social change. India's social development will go along more quickly if corporations, NGOs, and the government can form effective partnerships (Ramakrishna, Rao ).**

**Spirituality and corporate social responsibility have a long history in India, according to authors of a paper titled Trust and Corporate Social Responsibility: Lessons from India.**

 **CSR'S POSSIBLE BENEFITS TO ORGANIZATIONS:**

**Employee Recruitment, Employee Dedication, Brand differentiation, improved financial performance, sales performance, management, and reputation are all important.**Companies are supposed to undertake the following CSR practices in order to meet the sustainable development goal, according to the specified areas/ways for CSR-

Building capacity, Community empowerment, environmental protection, inclusive socioeconomic growth, and the promotion of green and energy-efficient technologies are all goals. Development of underdeveloped areas; Upliftment of neglected and underprivileged groups; Adoption and self-reliance of villages; Access to medical and sanitation amenities.

**CSR IN INDIA (Patel, 2020):**

**Up until recently, a corporation could carry over any CSR funds that it did not use entirely in a given fiscal year and use them in addition to the funds designated for that year. The CSR changes made pursuant to the Act now compel businesses to deposit any unused CSR payments into a fund established pursuant to Schedule VII of the Act before the end of the fiscal year. Within three years of the transfer date, this sum must be used; otherwise, it must be put into one of the designated funds. The new law stipulates that in the event of non-compliance, both a monetary fine and jail are required. The penalties can be up to INR 5 lakh (US $7023), three years in prison, or both for the defaulting executive of the company. The penalty can range from INR 50000 (US $700) to INR 25 Lack (US $35000). The sector, however, protested to the stringent restrictions, particularly with regard to the jail terms for CSR infractions, and the government is currently studying these regulations before they can be put into effect.**

**Since the introduction of the CSR clause in 2014, corporate India has greatly boosted its CSR investment. Listed companies in India invested INR 10,000 crore (US$1.4 billion) in a variety of initiatives, including healthcare, education, environmental protection, and skill development. CSR contributions to the Prime Minister's Relief Fund increased over the years.**

**ISSUES RELATED TO CSR:**

Strategic management's approach to corporate competitiveness is a topic that is rarely brought up in relation to corporate responsibility. However, corporate responsibility and its sustainability will continue to be a side activity and its influence is likely to stay considerably below required levels to meet the Millennium and related goals unless all corporate responsibility strands are brought together under a uniform management structure. According to national models, corporate governance must build the legal framework that will safeguard a company's interests. CSR aims to go beyond the bounds of the law to encourage charity, social reporting, and ethical behaviour in order to allay stakeholder concerns. By maximizing their sustainability performance and joining networks with governments, NGOs, and other stakeholders, corporations must focus on the long-term economic and social stakeholder expectations. A similar system would greatly increase the capacities of all parties involved and result in more rapid and sustained development.

The criteria for CSR projects are:

1. Strengthening of Civil Society

The basis for long-term social advantages is the ability to perform well in the community. Worldwide, civil society is a significant social and economic force that has the capacity to establish a more open, just, and free world. The collaborative aspect of civic engagement ensures that public institutions that develop policy and distribute resources effectively consider the interests of all people, especially women, the poor, and other marginalized groups. The ability to manage human and financial resources, limited advocacy skills, and a lack of management capacity to scale up promising innovations and achievements to create greater impact are common problems that many civil society organizations (CSOs) confront.

1. Performance Administration

To distinguish between success and failure, the outcomes must be measured. Thus, the worldwide revolution in public administration and aid effectiveness is centered on managing for results. Strong performance monitoring systems support accountability, increase stakeholder communications, help ensure that resources are concentrated on the most important results, and help to refine strategy and learning. However, these technologies frequently lack usability and are not in line with organizational capabilities and incentives.

1. Program Assessment

The framework for learning, accountability, and focal strategy is provided by program evaluation. Organizational learning, performance enhancement, and accountability revolve around program evaluation. The efficiency, relevance, effectiveness, sustainability, and institutional impact of development initiatives can be ascertained through program evaluation. Understanding the scale of the effects on people's wellbeing and the degree to which the activities helped the poor is made easier with the aid of impact evaluation.

1. Planning

Results are long-lasting when management is done with a defined vision, mission, and strategy. More strategic alignment of development assistance is necessary given the effects of globalization, failed and weak nations, the MDGs, and national poverty reduction strategies. The possibility for designing and managing national initiatives that contribute to stability and opportunities for long-term development is increased through donor coordination. Aid organizations must refine their missions, mandates, and tactics in this context, as well as continuously learn and innovate.

1. Team Work

Utilizing the energies, pooled knowledge, and creativity of various teams is a powerful accelerator for attaining growth goals. Effective teams are becoming more varied and distributed as they serve as vital drivers for growth and societal change. Teams and its members have a variety of cultural traditions, technical abilities, and experiences to draw from. Teams providing technical support are frequently pressed to deliver results quickly, especially in difficult settings. The model ideals of empowerment and participation must be learned by teams that collaborate closely with their local counterparts. The conventional methods of team formation are insufficient in these situations.

1. Administration of Social Impact

More than just poverty reduction, this addresses the question of inclusive growth. Through the expansion of opportunities for everyone, it tries to solve the issue of equity.

**UNAVOIDABLE CHALLENGES:**

CSR projects in India confront several difficulties and are sometimes viewed as obstacles to even the best-laid ideas. Here are descriptions of the most significant ones-

1. **Lack of Community Support for CSR Activities:** The local community does not show much enthusiasm for supporting corporate social responsibility (CSR) initiatives. As no real efforts have been made to raise awareness of CSR and inspire trust in the local communities about such activities, this is largely due to the fact that there is little to no information of CSR among the local communities. The situation is made worse by a breakdown in communication between the corporation and the local community.
2. **Narrow View of CSR Initiatives**: Non-governmental organizations and government organizations frequently have a limited perspective on corporate social responsibility (CSR) programs, frequently describing CSR programs as being more donor-driven than locally focused. They consequently struggle to decide if they should engage in such pursuits in the medium and long term.
3. **Building Local Capacity Is Needed:** There is a dire lack of competent, skilled groups that can contribute to the ongoing CSR initiatives carried out by businesses, hence it is necessary to strengthen the capacity of local non-governmental organizations. This severely restricts the breadth of CSR programs and makes them difficult to scale up.
4. **Transparency difficulties:** The poll highlights a number of important difficulties, one of which is a lack of transparency. Companies have expressed their belief that there is a lack of openness on the part of the local implementing agencies since they do not make enough of an effort to share information about their programs, audit issues, impact assessments, and fund utilization. The success of any CSR program at the local level depends on the establishment of trust between businesses and communities, which is negatively impacted by the alleged lack of openness.
5. **Lack of Well Organized Non-Governmental Organizations**: It is also stated that there is a lack of Well Organized Non-Governmental Organizations in the interior areas that can identify the requirements of the people and help Companies to ensure successful implementation of CSR activities. By increasing local communities' ability to carry out development projects at the local level, this also strengthens the argument for investing in local communities.
6. **Transparency:** The media's role in promoting successful CSR initiatives is appreciated since it distributes positive messages and educates the local population about the many CSR programs that businesses are currently doing. Many nonprofit groups participate in event-based programs under the seeming impact of increasing awareness and branding, often skipping out on effective grassroots interventions in the process.
7. **Lack of Agreement on CSR Implementation**: There is a lack of agreement among regional organizations on CSR initiatives. Corporate houses frequently duplicate their efforts in their intervention areas as a result of this lack of unanimity. Instead of creating collaborative approaches to difficulties, this leads to a competitive mentality among local implementing agencies. This issue makes it more difficult for the organization to periodically review the impact of its initiatives.
8. **Lack of Clearly Defined CSR rules:** Companies' CSR initiatives are not given a clearly defined direction by any clear-cut statutory rules or policy instructions. According to research, the size and nature of a company's operation should determine the scope of its CSR initiatives. In other words, a company's CSR program gets bigger the bigger it is.

**A Road Ahead for Corporate Social Responsibility**

Corporate houses are becoming more aware of CSR and learning that "what is good for workers—their community, health, and environment—is also good for the business." The Tata Group, the Aditya Birla Group, Infosys, and Indian Oil Corporations, among others, have all been engaged in community service for social good in business operations for decades before corporate social responsibility (CSR) became a well-known concern.Despite having such large-scale successful examples, CSR in India is still extremely young. Building world-class CSR programs in the Indian setting is a subject with a lot of room for learning. It is our obligation, says Carlos Ghosn, chairman and CEO of Renault. It is emphasized that businesses must maintain their commitment to act morally, promote economic growth, and enhance the lives of their employees, their families, the local community, and society at large.

**OVERCOMING THE DIFFICULTIES:**

 • Increasing public awareness of corporate social responsibility.

• Creating a long-term objective and sustainable perspective on CSR activities to close the gap between all the key stakeholders and implement CSR operations successfully.

• Businesses need to come up with a variety of concerns to address with their CSR initiatives. To prevent duplication of effort, they should take the development agenda into much greater consideration.

• The pooling of resources and creation of synergies between businesses and non-governmental groups to undertake CSR initiatives more successfully and efficiently.

• Both urban and rural communities should make efforts for the impoverished and underprivileged.

**CONCLUSION:**

According to the aforementioned report, the government developed CSR because it wants firms to take greater responsibility for their investors and society as a whole. As social entities, corporations are required to care for all stakeholder groups. It is crucial that they manage this responsibility effectively to ensure that every member of the corporation is satisfied. A lot of big businesses are increasingly making efforts to enhance their social and environmental performance through volunteer programs. The ultimate goal of business is to serve society without endangering the environment or the social fabric of the community by offering safe, high-quality goods and services that enhance our well-being. The goal of business should therefore be clarified and reoriented. Businesses are starting to understand their responsibility to society. CSR initiatives have been wisely adopted by Indian businesses and integrated into their operational procedures. The implementation of CSR still faces several difficulties. Since no real attempts have been made to raise awareness of CSR, this is mostly owing to the fact that there is little to no information about CSR within the local communities. Lack of transparency is another problem that needs attention, but good collaboration between businesses, NGOs, and the government can move India's social development forward and help it meet the aim of sustainable development for both businesses and nations.

There is proof that stakeholder decisions are becoming more and more influenced by a company's ethical behavior. When the employment climate is toxic, just establishing philanthropic trusts and foundations does not forward the goals of the organization. India is currently a big country, making it difficult for one single entity to effect change.Large businesses must now pay attention to their environment as well as their own operations because they can no longer continue to concentrate just on their financial performance.Thus, the overarching conclusion is that businesses must be responsible and understand the necessity for socially responsible practices. In conclusion, accepting CSR as a corporate requirement must not be done reluctantly or in part. Instead, it must be practiced fervently and with a sincere enthusiasm. Doing so undoubtedly helps the companies have a lasting, significant impact on society, and its future is promising in the years to come.

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