



CHALLENGES AND STRATEGIES OF CORPORATE SOCIAL RESPONSIBILITY

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Introduction:

Corporate Social Responsibility (CSR) evolved from its early beginnings in the 1950's. CSR as a concept found more in Europe than in the US. United Nations played a significant role in universal acceptance of the idea of CSR. The term corporate responsibility has been known many names i.e., corporate citizenship, corporate social responsibility. Corporate Social Responsibility means to do useful for the society and to contribute in the balanced development of the society by giving enough services to the stakeholders, for example, employees, customers, shareholders, suppliers, general open etc. Corporate social responsibility (CSR) is companies manage their business processes to produce an overall positive effect on society. It covers manageability, social effect and ethics followed for operating in the society. The stakeholders covered under CSR are:

- Customers
- Suppliers
- Employees
- Business partners
- Shareholders/Investors
- Governmen
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- Government

Businesses are an integral part of the communities, and it is evident that business build civilizations. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment, and livelihoods through their corporate social responsibility interventions across the globe. It is important for the corporate sector to identify, promote and implement successful policies and practices. Corporate Social Responsibility is gaining position and corporate houses are realizing that 'what is good for workers - their community, health, and environment is also good for the business.

With effect from April 1, 2014, CSR is a mandatory requirement for certain companies under section 135 of the Companies Act, 2013, which compels them to engage in activities that contribute to the social, environmental, and economic development of the country.



CSR works in India:

The Companies Act, 2013, marked a paradigm shift by making CSR mandatory for companies meeting specific financial thresholds.

CSR provisions apply to companies meeting any of the following criteria in the preceding financial year:

- Net worth: More than INR 5 billion.
- Turnover: More than INR 10 billion.
- Net profit: More than INR 50 million.

Such companies must spend a minimum of 2 percent of their net profit over the last three years on CSR activities.

Definition:

Corporate social responsibility (CSR) is a broad business concept. It usually describes a company's commitment to carry out its business in an ethical way. This means managing their business processes while taking account of their social, economic and environmental impact, and considering human rights.

CSR can help improve society and promote a positive brand image for companies. CSR includes four categories: environmental impacts, ethical responsibility, philanthropic endeavors, and financial responsibilities.

Corporate social responsibility (CSR) refers to initiatives taken up by companies to give back to society. The Financial Times defines it as a business approach that contributes to sustainable development by delivering economic, social, and environmental benefits for all stakeholders.

OBJECTIVES OF THE STUDY:

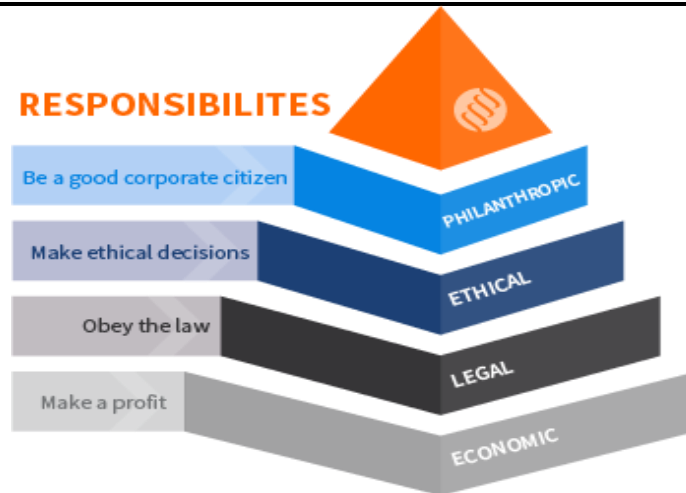
1. To know the concept of CSR
2. To know the strategies of CSR.
3. To understand the challenges of CSR.

RESEARCH METHODOLOGY:

The data required for this study is secondary data which have been collected from different sources such as official websites like department of Corporate Affair ministry, Newspaper Articles, journals, Research Papers, media reports and Magazine Articles.

Four Pillars of Corporate Social Responsibility

- Philanthropic Responsibility.
- Economic Responsibility
- Ethical Responsibility.
- Environmental Responsibility.



CSR Challenges:

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy and push up the standards of other organizations at the same time. A lack of understanding, inadequately trained personnel, non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. further adds to the reach and effectiveness of CSR programs.

- Lack of community participation in CSR activities
- Need to build local capacities:
- Issues of transparency.
- Lack of Sufficient Financial Resources, Local Capacities, and Infrastructure:
- Non-availability of well-organized non-governmental organizations
- Visibility factor.
- Lack of Participation by Communities.
- Lack of Strategic Planning
- Narrow perception towards CSR initiatives
- Non-availability of clear CSR guidelines
- Lack of consensus on implementing CSR issues

CSR strategies:

CSR in India is not just a legal obligation but also a strategic business tool. Companies integrating CSR into their core strategies can build a positive brand image, foster community



goodwill, and attract socially conscious investors and customers. Successful CSR initiatives can enhance employee engagement, reduce business risks, and create long-term value.

1. Comprehensive impact assessment: Effective CSR involves assessing the impact of business activities on customers, suppliers, the environment, communities, and employees.
2. Integration and sustainability: Organizations are encouraged to integrate CSR initiatives into their core business strategies, ensuring sustainable contributions that do not compromise business goals.
3. Dedicated CSR departments: Many companies have established specific teams to develop policies and allocate budgets for CSR activities, often aligning them with the company's social beliefs or business domain.
4. Promoting Healthy and Inclusive Workplace Cultures: successful and happy company attracts top talent who appreciate the company's culture and positively contribute to the company's culture. Culture-bearing employees are more likely to bring those inclusive values into their families, social circles, and communities.
5. Designing Goals with Measurable Impact: Socially responsible companies set measurable goals. Measurable goals keep organizations accountable to themselves and stakeholders.
6. Aligning Community Impact Goals with Business Practices: Successful socially responsible companies identify causes that align with their corporate mission, employee base, and communities. These organizations then advance these causes through authentic and sincere actions.
7. Socially Responsible Companies Leverage Their Core Capabilities: Socially Responsible Companies Leverage Their Core Capabilities.
8. Solicit Stakeholder Feedback and Engagement to Maximize Stakeholder Value

CSR PROVISIONS IN COMPANIES ACT, 2013

Under the Companies Act, 2013, that replaces the nearly six-decade old legislation governing the way corporate function and are regulated in India, profitable companies with a sizeable business would have to spend every year at least 2% of three-year average profit on CSR works. The provisions of CSR will be applicable for every organization that has any one of the following in any financial year:

1. Having net worth of rupees five hundred crore or more, or
2. Having turnover of rupees one thousand crore or more, or
3. Having a net benefit of rupees five crore or more.

Every company with net worth of Rs 500 crore or more, or turnover of Rs 1,000 crore or more or a net profit of Rs 5 crore or more during any financial year to constitute a CSR Committee of the Board consisting of three or more directors, of which at least one director shall be an independent director. The Board's report to disclose the composition of the CSR Committee.

The main functions of the CSR Committee are:

1. Formulate and recommend to the board, a CSR policy indicating the activity or activities



to be undertaken by the company as specified in Schedule VII of the Act.

2. Recommend the amount to be spent on these activities.
3. Monitor the company's CSR policy periodically.

Schedule VII of the Companies Act, 2013 prescribes activities that may be included by companies in their CSR policies:

1. Eradicating extreme hunger.
2. Promotion of education.
3. Reducing child mortality and improving maternal health.
4. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.
5. Ensuring environmental sustainability.
6. Employment enhancing vocational skills.
7. Social business projects.
8. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women; and
9. Other matters as may be prescribed.
10. Poverty, health, and sanitation:
 - Eradication of poverty, hunger, and malnutrition.
 - Promotion of healthcare, including sanitation and preventive healthcare.
 - Contributions to the Swachh Bharat Kosh and ensuring access to safe drinking water.
11. Education and employment:
 - Improvement of education, special education, and vocational skills for children, women, the elderly, and the differently abled.
 - Livelihood enhancement projects.
12. Gender equality and support for vulnerable groups:
 - Promoting gender equality and setting up homes and hostels for women and orphans.
 - Empowering women and establishing facilities for senior citizens and disadvantaged groups.
13. Environmental sustainability:
 - Initiatives for environmental sustainability, ecological balance, and conservation of natural resources.
 - Support for projects like river Ganga rejuvenation and agroforestry.
14. National heritage and culture:
 - Protection of national heritage, art, and culture, including restoring historical buildings and promoting traditional arts.
15. Support for armed forces and their families:
 - Welfare measures for armed forces veterans, war widows, and dependents.



16. Promotion of sports:

- Training and promotion of rural, nationally recognized, Paralympic, and Olympic sports.

17. Contributions to government funds:

- Contributions to funds like the Prime Minister's National Relief Fund, PM CARES Fund, and others aimed at socioeconomic development.

18. Support for research and development:

- Contributions to R&D projects in science, technology, engineering, and medicine funded by government bodies or public institutions.

19. Support for educational institutions:

- Contributions to public-funded universities, IITs, and national research bodies like DRDO, ICAR, and CSIR.

20. Rural development projects:

- Initiatives focused on the development of rural areas.

21. Slum area development:

- Development of slum areas as declared by the government.

22. Disaster management:

- Activities related to disaster relief, rehabilitation, and reconstruction.

Customers

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Phases of Corporate Social Responsibility:

Among other countries India has one of the richest traditions of CSR. CSR has gone through many phases in India.

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches. However, the phases are not static and the features of each phase may overlap other phases.

In the first phase charity and philanthropy were the main drivers of CSR. In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. The third phase of CSR (1960–



80) had its relation to the element of "mixed economy" led to enactment of legislation regarding corporate governance, labour and environmental issues. In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy.

In 1990s the first initiation towards globalization and economic liberalization were undertaken. A concern for social and environmental development should be made a part of every corporate entity through its inclusion in the annual agenda backed by strong and genuine programs on/for status of employees, mobility of staff, work hours, social relations, health and safety, training, health policy, profits distribution, Outsourcing etc., Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause.

In India CSR is in a very much budding stage. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs.

Conclusion:

The success of CSR lies in practicing it as a core part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom line results. It is a joint and shared responsibility of civil society, activist groups, Government, and corporate sector to create appropriate means and avenues for the marginalized and bring them to the mainstream.

There is evidence that the ethical conduct of companies exerts a growing influence on the stakeholder's decisions. Simply launching charitable trusts and foundations when the workplace environment is vitiated does not serve the company's purpose. Presently in India, it is hard for one sole entity to bring about change, as the gauge is vast. Large enterprises can no longer continue to focus only on economic performance, without paying attention to what is happening around them. Hence, the overriding conclusion is that companies need to be mature and realize that they must practice socially conscious policies.

Corporate social responsibility in India, as mandated by the Companies Act, 2013, is a testament to the evolving role of businesses in society. By aligning business goals with societal needs, companies can contribute meaningfully to the country's development while building sustainable and responsible business practices.

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