

Analysis of Corporate Social Responsibility: Issue and Challenges

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Abstract – Over the past few years CSR, as a concept, has been the focus of many deliberations and research. It has grown in importance both academically as well as in the business sense. It captures a spectrum of values and criteria for measuring a company's contribution to social development. As the term "CSR" is used constantly, many harmonizing and overlapping concepts, such as business citizenship, business beliefs, stakeholder management and sustainability, have emerged. These extensive ranges of synonymously used terms indicate that multiple definitions have been devised for CSR, mostly from different perspectives and by those in facilitating roles such as the corporate sector, government agencies, academics and the public sector. The European Union (EU) has used definition of CSR in the business and social context. It describes CSR as "the accountability of the business enterprises towards the stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large"

Key Words: CSR, Business, SME

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INTRODUCTION

As we all know that India is a developing country with large number of population. Indian economy is growing very fastly not as compare to other countries even in comparison of its past too on the one side while on the other hand; it has the largest number of poor and unemployed people. This contradiction of economy clearly depicts the real picture of unequal distribution of the income and wealth. In the actual, this is the root cause of many social problems. Nowadays not only government even companies are also giving focus on these uneven developments. So as a result, their contributions towards society are also playing a greater role with the help of corporate social responsibility activities. As per companies act, these activities are mentioned in Schedule VII under Clause 135, which are as follows:

- (a) Eradicating extreme hunger and poverty,
- (b) Promotion of education,
- (c) Promoting gender equality and empowering women,
- (d) Reducing child mortality and improving maternal health,
- (e) Combating human immune-deficiency virus, AIDS, malaria and other diseases,

- (f) Ensuring environmental sustainability,
- (g) Employment enhancing vocational skills,
- (h) Social business projects, and
- (i) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the SC/ST/OBC, minorities and women.

REVIEW OF LITERATURE

Wood, (1991) corroborates that CSR is divided into areas of social contribution which directly relates with business competencies. Others have offered several distinct definitions of Corporate Social Responsibility. One from the World Business Council for Sustainable Development reflects the council's focus on economic development in describing CSR as 'business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of Life .

Banerjee, (2007) states that the ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society. This obligation

arose because some scholars and practitioners saw business as an instrument of society and managers as public trustees whose main job was to balance often competing demands of employees, customers, suppliers, communities and shareholders

Urmila, Moon (2011) states that CSR holds a very important place in the development scenario of the world today and can pose as an alternative tool for sustainable development. The much of the fortune is in the hands of business entities as they shown concerns towards the stakeholders.

Ahmed, Khalil, Mohammad (2011) states that corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in 'spending' on CSR is unclear and is left for the companies to decide. It is clear from this paper that there is a correlation between Sales and CSR Investment. CSR has a wide-ranging effect across the globe especially in emerging markets. In India CSR is still at a very growing stage.

Khanna, Parul (2011) states that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the fundamental objective of all business is only to help people.

Usha, L, (2012) observed that CSR has come a long way in India. The businesses entities have improved the quality of life of the society. In the today's environment it is impossible for a single business to tackle CSR activities so the Corporate have to develop their strategy, effective manpower and money to explore the social changes

RESEARCH METHODOLOGY

Objective of the Study:

The concept of corporate social responsibility (CSR) has a great impact on social, economic and environmental concerns. That's why; the purpose of this paper is to find out the various issues related with the evolution of CSR. The researcher reviews the literatures and finds the result regarding the various issues and challenges

Conceptual Framework of Corporate Social Responsibility (CSR)

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives which is also known as **Triple-Bottom-Line Approach**, along with addressing the expectations of shareholders and stakeholders. As per the rule of Companies Act, the CSR new rules have been implemented from April 1, 2013. They are being applied to all those companies, which are earning at least:

- **Rs.1,000 crore turnover, or**
- **Rs.500 crore net worth, or**
- **Rs 5 crore net profit.**

Such companies are required to spend 2 per cent of their three-year average annual net profit on CSR activities in each financial year, beginning from the next fiscal year, 2014-15. For deciding the CSR spending eligibility of a company, profit from overseas branches and dividend received from other companies in India will not be included under the net profit criteria. According to clause 135 of the Companies Act, 2013 for this purpose, a company will have to constitute a CSR committee which is to be constituted by the board of directors. They will be responsible for preparing a detailed plan of the CSR activities including, decisions regarding the expenditure, the type of activities to be undertaken, roles and responsibilities of the concerned individuals and a monitoring and reporting mechanism.

Is There any Role of Small and Medium Enterprises (SME) in CSR Activities?

Small and medium enterprises (SMEs) significantly contribute towards India's economic growth. They employ nearly 40% of India's workforce and contribute around 45% to India's manufacturing output which is a big contribution. The business activities of SMEs are performed almost into the local area. This enables them to be aware of community needs, to manage their expectations and then to develop CSR programmes appropriately. Since as per the rules of the Companies Act, 2013, those companies that have a net profit of Rs. 5 crore and above, have to spend at least 2% of their net profit on CSR activities. So, it is generally expected that small and medium enterprises will not qualify this condition, while in the actual, many small and medium enterprises (SMEs) can also fulfill this condition (i.e. they are also able to earn more than Rs. 5 crore net profit). Although the quantum of revenue available for CSR with individual SMEs is expected to be small, while all eligible companies working in a specific geographical area, collectively can pool their

resources to create a sizeable CSR fund. Thus it is found that SMEs in India are also playing a great role in CSR activities.

CSR VS. CORPORATE SUSTAINABILITY

Corporate sustainability is almost similar to corporate social responsibility. This concept is actually derived from the concept of sustainable which is defined as “development that fulfils the needs of the present without compromising the ability of future generations to meet their own needs”. It essentially refers to the role that companies can play in meeting the agenda of sustainable development and maintains a balanced approach for economic, social and environmental progress. CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, many of the Indian practices of CSR are important components of sustainability. Since corporate social responsibility and sustainability are so closely related terms, so it can be said that corporate social responsibility and sustainability are the company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.

Funds Given to Political Parties Will not be Count as Corporate Social Responsibility Activity

The much-awaited rules for the new ‘corporate social responsibility’ (CSR) regime were notified, under which companies with sizable businesses would need to spend a minimum 2 per cent of net profit for the benefit of the society. The CSR activities will have to be within India, and the new rules will also apply to foreign companies registered here. However, funds given to political parties and the money spent for the benefit of the company's own employees (and their families) will not count as CSR. Besides, contributions made ‘directly or indirectly’ to any political party have been excluded from CSR ambit. The CSR policy of a company should also specify that “surplus arising out of the CSR projects or programmes or activities shall not form part of the business profits of a company.”

India's Top 20 Companies Based on Net Sales and Their Spending on CSR For The F. Y. 2017

SR NO.	COMPANY	REVENUE	AVG PAT	ACTUAL SPEND	2% OF PAT
1	INDIAN OIL CORPORATION	442,459	7,783	83	156
2	RELIANCE INDUSTRIES	368,571	21,138	288	423
3	BHARAT PETROLEUM CORPORATION	223,315	1,438	8	29
4	HINDUSTAN PETROLEUM CORPORATION	195,891	1,118	27	22
5	TATA MOTORS	170,678	8,437	15	169
6	OIL & NATURAL GAS CORPORATION	151,121	23,660	121	473
7	STATE BANK OF INDIA	147,197	13,056	71	261
8	TATA STEEL	135,976	3,895	146	78
9	PNB GILTS	104,628	29	NA	1
10	HINDALCO INDUSTRIES	82,549	3,597	28	72
11	COAL INDIA	78,410	11,759	119	235
12	BHARTI AIRTEL	71,506	6,511	33	130
13	MMTC	67,023	129	3	3
14	NTPC	66,366	9,334	49	187
15	LARSEN & TOUBRO	64,960	4,818	70	96
16	ESSAR OIL	63,428	-201	NA	N/A
17	MAHINDRA & MAHINDRA	63,030	2,948	22	59
18	MANGALORE REFINERY & PETROCHEMICALS	57,214	1,066	NA	21
19	TATA CONSULTANCY SERVICES	48,894	8,935	51	179
20	BHARAT HEAVY ELECTRICALS	50,654	5,823	37	116
21	STEEL AUTHORITY OF INDIA	51,428	5,153	61	103
22	GAIL (INDIA)	44,861	3,891	54	78
23	STERILITE INDUSTRIES (INDIA)	43,116	6,831	7	137
24	CHENNAI PETROLEUM CORPORATION	45,397	392	3	8
25	ADANI ENTERPRISES	39,416	1,940	14	39
26	ICICI BANK	37,995	6,366	24	127
27	PUNJAB NATIONAL BANK	37,447	4,460	NA	89
28	WIPRO	37,308	5,152	NA	103
29	MARUTI SUZUKI INDIA	40,050	2,162	12	43
30	JSW STEEL	36,964	1,569	32	31
31	INFOSYS	33,734	7,128	26	143
32	STATE TRADING CORPORATION OF INDIA	30,905	60	NA	1
33	CANARA BANK	30,816	3,313	NA	66
34	BANK OF BARODA	30,488	4,262	NA	85
35	RUCHI SOYA INDUSTRIES	30,332	167	0	3

Findings: Under this paper, various issues like as role of small and medium enterprises, comparison with sustainability and funds given to political parties etc. have been discussed and it is finding that CSR activities are facing great challenges due to various issues discussed under this paper.

Originality/value: This paper provides information of the conceptual evolution of CSR relating to various issues and challenges along with the top 20 companies list of CSR.

Keywords: Corporate social responsibility, Shareholders and Stakeholders.

Paper type: Literature review/Conceptual Paper

CONCLUSION:

A company can also carry out CSR works through a registered trust or society or a separate company. As per the rules, a company may also collaborate with other companies for CSR activities, provided they have to separately report about spending on such projects/ programmes. The key to maximizing returns for all the

stakeholders in the given situation is to emphasize on developing effective and need based CSR strategies so that the investments can yield intended results. Effective CSR can be achieved by aligning CSR initiatives to the extent possible with business objectives, thereby indirectly benefiting and increasing their own incentive for efficient programming. As far as possible, the CSR initiatives should be designed in a sustainable manner and should be scalable and result oriented. Therefore, creating indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

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