

# Corporate Social Responsibility: Issues and Insights

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**Abstract - Companies are discovering possibilities to use their cash in the most strategic manner as a result of the adoption of required Corporate Social Responsibilities (CSR) law. [CSR] stands for "Corporate Social Responsibilities." In this particular setting, the article makes an attempt to assess the benefits provided by large corporate foundations. The purpose of this article is to investigate the potential for small and medium-sized businesses (commonly known as SMEs) to play a major role in the field of corporate social responsibility. In this particular setting, it also focuses on the challenges faced by non-governmental organisations as well as the opportunities they provide (NGOs).**

**Keyword - (CSR), non-profits (NGOs), and small businesses (SMEs) are all examples of CSR (SMEs)**

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## INTRODUCTION

The concept of "Corporate Social Responsibility," or CSR, has been practised in India for quite some time. However, the idea has evolved throughout the course of these many years. At first, participation was entirely optional in the form of charitable giving; but, over time, it evolved into a requirement for participation. During the pre-independence era, the affluent and wealthy individuals would give substantial gifts to the society in the name of giving back to the community. This would be done out of their religious background or because their tradition would lead them to do so. Their charitable donations were not restricted to only assisting those in the community who were low-income or otherwise disadvantaged. In addition to this, they made significant financial contributions toward the establishment of educational institutions. During the time before India gained its freedom, corporate social responsibility mostly consisted of charitable giving and philanthropy. The Gandhian model of trusteeship had an impact on corporate social responsibility (CSR) during the independence movement in India because there was increased pressure on the country's industrialists to direct their activities toward the advancement of society. Trusteeship was a concept that Gandhi developed. During that time period, major industrial concerns established a number of trusts. The improvement of India's social and economic conditions was the focus of these trusts. These trusts worked concurrently on several initiatives, such as the development of rural areas, the establishment of educational and training institutions, and the empowerment of women, among other things. These trusts are now being used as

corporate foundations in today's society. Between the years 1960 and 1980, there was a rise in the number of public sector enterprises, sometimes known as PSUs. During that era, the PSUs served as the CSR's primary driving force. The Public Service Units were unsuccessful for a variety of reasons, which led to the passage of various pieces of law. The primary purpose of these pieces of legislation was to achieve improved levels of openness and accountability, as well as more protections for workers and the environment. The public sector entities (PSUs) were supposed to have improved corporate governance as the end goal. However, the PSUs did not achieve the level of success that was expected of them; as a result, the expectation for socioeconomic progress moved from the public sectors to the private sectors. After the 1980s, and especially in the years following the period of economic liberalisation, CSR began to take on a shape that was considerably more structural. The period after the liberalisation of economic policy was characterised by stronger economic expansion. The incorporation of corporate social responsibility (CSR) into business strategies was undertaken by several companies. The concept of corporate social responsibility (CSR) was once an act of generosity but has now evolved into an obligation. After the new businesses bill was signed into law, the Ministry of Corporate Affairs told the public that Section 135 of the Companies Act of 2013 had been notified. This notification provided CSR with more impetus. On April 1, 2021, it became a law and went into force.

## COMPANIES ACT, 2013 SECTION 135

According to the Corporations Act, 2013, certain companies are required to contribute back some of their profits to CSR initiatives. There is no ambiguity as to whether or not a company qualifies for CSR mandated under Section 135 sub section 1. INR 500 crore or more; or INR 1000 crore or more; or INR 5 crore or more in net profit throughout any financial year: This is stated in section 135's sub-section 1, which is referred to as sub-section 1.

1. There will be a need to establish a CSR Committee. At the very least, one of the CSR committee's three members should be a non-voting independent director. Developing, publishing, and monitoring the company's CSR policy are the primary responsibilities of the committee.
2. Every year, at least two percent of the company's average net income from the previous three financial years must be spent on the company's CSR policy.

The UN Industrial Development Organization's triple bottom line concept informs India's CSR strategy (UNIDO). According to Section 135, of the Companies Act, a company must balance the interests of its shareholders and stakeholders with those of the environment and society while adhering to all applicable laws and regulations in the process. India became the first nation in the world to require firms to adhere to a required CSR policy.

#### **FOUNDATIONS AND LARGE COMPANIES**

1. In order to better oversee the CSR contributions they make, many corporations choose to set up their own foundations rather than trusts.
2. To a significant degree, foundations help corporations in terms of stronger branding and tax advantages. Significant corporations are concerned that most Non-Governmental Organizations (NGO) aren't able to manage large sums of money strategically.
3. Companies often complain that nongovernmental organisations' governance structures aren't open enough, and the majority of nongovernmental organisations lack the papers necessary to demonstrate their legitimacy and integrity to the public at large.
4. Since corporations may choose to work with both non-profits and foundations, foundations provide support and oversight.
5. Companies seldom depend only on NGOS. Either via foundations or directly, businesses may work with NGOs.

In contrast to most non-profit organisations, a corporate foundation has the advantage of being able to rely on a steady flow of cash, which is not always the case. The firm also provides foundations with technical and other assistance, allowing them to spend more money on the operations itself rather than on significant overhead, as is the case with many NGOs. Despite this, large corporations are expected to do more for the community, which may be a major difficulty. Furthermore, the community sees the foundation as a business, which raises expectations even further. Corporate social responsibility (CSR) efforts of large corporations and their foundations tend to be regional in nature, which is problematic. Because there are just a few significant enterprises in India, their operations are confined to the area in which they are based. This leaves a void. CSR activities are few in the poorest places, as may be seen. There are few active foundations in these backward areas. Another key consideration is that enormous corporations have little incentive to work together since they are typically direct rivals. Collaboration may also degrade a company's brand and reputation, which is something major corporations cannot afford to do.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) AND NON-GOVERNMENTAL ORGANIZATIONS (NGOS)**

It's critical to ask how businesses are going to put these CSR initiatives into action immediately. It is possible for companies to set up their own foundations, work with non-profit organisations, or develop their own programmes. All of these alternatives are available to firms, but a growing number of them are selecting a mix of any two strategies (mostly foundations and going directly). Non-profit organisations (NGOs) always have a reluctance to accept full donations from companies. They always share it with either their own foundations or directly with the people who need it the most. It's important to ask why, considering that non-profits are more qualified to handle social tasks than for-profit enterprises. As a result of the mandated CSR obligation, NGOs have a chance to exhibit or verify their abilities. Funding is a perennial issue for non-profit organisations. Non-profit organisations of all sizes, including small and medium-sized organisations (SMEs) and those with corporate partnerships, continue to face a severe funding shortage. The fact that they are closer to the ground and have micro-level knowledge doesn't mean that firms are willing to invest in them. There may have been money in mandatory CSR, but that money is never there. An important part of the understanding of these non-profit organisations is lacking.



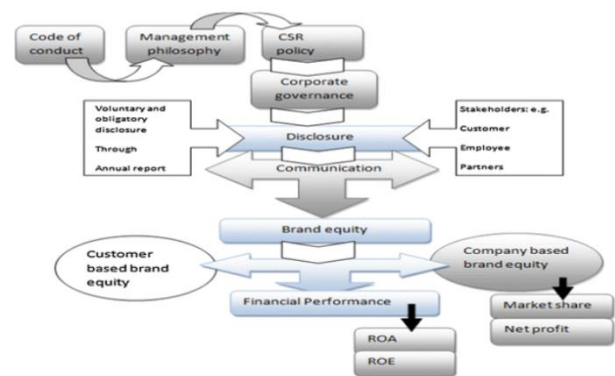
**Figure 1: Sustainability & Corporate Social Responsibility**

1. Companies may only work with non-profit organisations that have been registered as 501(c)(3) organisations under Sections 80G and 12A of the Internal Revenue Code. The donor will be able to claim a tax deduction if they provide these records. Many non-governmental organisations (NGOs) exist in India, but only a small number of them possess the necessary documentation.
2. Develop a network of corporate contributors and a map of their locations.
3. For every non-profit organisation, it is critical to keep in touch with potential contributors and to have a strong understanding of potential donors. To maintain the nexus, they must hold events on a regular basis. NGOs, with the exception of the largest, seldom host events of this kind.
4. If you don't have the resources you need, you may always ask for help from Indian businesses in terms of money and volunteers. As a bonus, they'll get some first-hand experience working with non-profit organisations.
5. Having realistic expectations and being open to criticism
6. It's critical to have everyone on the same page from the start, both in terms of expectations and feedback. A good effect on the target population is crucial, but non-profits must also make clear to the donor that timetables are critical. In this setting, social development is not an instantaneous process, and there are many additional factors to consider. Contributors who have already donated may assist the system and procedures by promptly providing feedback.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SMALL AND MEDIUM SIZE DENTERPRISES (SMES)

Small and medium-sized companies (SMEs) play an important role in the economic growth of India (SMEs). SME's provide employment and assist to industrialise rural, interior, and remote locations at the same time Most small- and medium-sized businesses (SMEs) are located in or near the neighbourhoods where their clients live or work. As a result, they are better able to understand the requirements of the local community, keep expectations in check, and carry out CSR initiatives in an ethical way.

New CSR legislation requires enterprises with a net profit of more than five crore rupees to invest in CSR initiatives. As a result, a large number of medium-sized businesses will be eligible. There are several advantages to working with small and medium-sized businesses in rural regions. These medium-sized businesses have the potential to become essential actors in the present CSR situation in India. When it comes to corporate social responsibility, major corporations have been seen as the norm for quite some time. Now, if small and medium-sized businesses band together, they may potentially make a big difference in economically underdeveloped areas. As a result, we can observe that the most disadvantaged areas have the lowest degree of investment in CSR initiatives by large corporations. Small and medium-sized businesses (SMEs) are well-suited to fill in the gaps.



**Figure 2: Corporate social responsibility disclosure information flow process**

### Research and Methodology of Corporate Social Responsibility

- CSR is the process of examining the social effect and responsibility of a company. An evaluation of the following business elements is conducted at the beginning of the process:
- Customers
- Suppliers

- Environment
- Communities
- Employees

A company's CSR strategy that succeeds is one that goes above and beyond the requirements of the law and leads to an organization's respect for moral principles and the preservation of the environment. Sustainable corporate social responsibility an activity that does not adversely influence the company's business objectives.

CSR is more than just enforcing environmental responsibility or implementing a recycling programme. As a business owner, you need to think about how your company's image is portrayed to the public, from your internal procedures to your customers. Companies in emerging economies, such as India, have been shown to be actively involved in CSR.

Organizations in India, on the other hand, have shown considerable foresight in incorporating CSR activities into their commercial practises. Companies in India are increasingly projecting this idea because they see the need of building long-term, mutually beneficial relationships with the society at large, in addition to their commercial goals. Companies increasingly have departments and teams dedicated to the development of CSR policies, strategies, and objectives, as well as corresponding funding to support such initiatives. This kind of programme is usually founded on well-defined social principles or is closely connected with the business area of the company in which it operates.



## CONSIDERATIONS FOR COOPERATION

Investments in short-term development initiatives are commonly made by small and medium businesses (SMEs) to reduce operating expenses. Due to the fact that unlike large corporations, SME's CSR activities are dependent on the company's earnings, and any variations in profits might have a negative impact on their CSR efforts. As a result, long-term CSR programmes cannot be sustained by SMEs due to a lack of suitable human resources. CSR activities may be carried out more effectively if all SME businesses in a region work together and cooperate for long-term

initiatives with high impact and low operating costs. An SME may combine resources and operate together.

There are certain benefits to working together. If a corporation operates on its own, it must establish a CSR department. That in and of itself raises the expense of running a business. A portion of the department's operating expenses are related to the hiring and maintenance of staff. To a considerable degree, costs may be cut if SMEs work together. Together, the corporations will be able to invest in longer-term initiatives with greater social effect.



## CONCLUSION

NGOs and small businesses, it might be concluded, can both make significant contributions to successful CSR. It is possible for small and medium-sized businesses to play an important role in growth without being burdened by the new CSR legislation. Since they are everywhere, small and medium-sized enterprises (SMEs) are more in touch with the actual world. NGOs may collaborate with them in order to gain more clout and to be more effective, while large corporations prefer to set up their own foundations.

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