International Research Journal of Commerce and Law
Volume 10 Issue 09, September 2022 ISSN: 2349-705X Impact Factor: 6.843
Journal Homepage: http://ijmr.net.in, Email: irjmss@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal

ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) PRACTICES IN INDIAN COMPANIES

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Abstract:

Corporate Social Responsibility (CSR) has become an integral part of business practices in India, especially after the introduction of the Companies Act of 2013, which mandated CSR spending for certain companies. This paper explores the evolution, practices, and impact of CSR in Indian companies. It examines the regulatory framework introduced by the Indian government, the types of CSR activities undertaken by companies, and the challenges they face in implementation. Through an analysis of CSR reports, case studies, and literature, this paper highlights the sectors most targeted by CSR initiatives, such as education, healthcare, environmental sustainability, and rural development. While CSR has contributed to social welfare and business sustainability, challenges such as limited strategic alignment, transparency issues, and short-term project focuses hinder its full potential. The paper concludes by offering recommendations for enhancing CSR practices in India, emphasizing the need for long-term, sustainable initiatives aligned with business strategies and increased transparency in reporting. The findings suggest that CSR, when effectively executed, can drive social change while creating shared value for companies and society.

Keywords: ***Corporate Social Responsibility (CSR), Indian Companies, CSR Mandate, Social Development, Companies Act 2013, Sustainable Business Practices***

Introduction:

Corporate Social Responsibility (CSR) has evolved into a key element of corporate strategy worldwide, with companies increasingly acknowledging their role in addressing social, environmental, and economic challenges. In India, CSR has gained significant momentum, particularly after the enactment of the Companies Act of 2013, which introduced a regulatory framework requiring certain companies to allocate a portion of their profits to social causes. The legal mandate for CSR marked a transformative shift in how businesses approach their social responsibilities, ensuring that companies engaged in CSR activities not only out of philanthropic interest but as a part of their long-term corporate strategy.

Historically, CSR in India has been shaped by traditional philanthropic models, where companies like the Tata Group and Reliance Industries have been at the forefront of contributing to societal welfare. However, the introduction of the Companies Act has moved CSR from voluntary charity towards a more structured, transparent, and measurable activity. Companies are now required to spend at least 2% of their average net profit over the last three years on CSR initiatives if they meet specific financial criteria. These initiatives focus on a range of social issues, including education, healthcare, environmental sustainability, and rural development.

This paper aims to analyze CSR practices in Indian companies by reviewing the evolution of CSR, the implementation of government mandates, the types of CSR initiatives undertaken, and the challenges faced by companies. By examining the CSR reports of Indian companies, exploring existing literature, and analyzing corporate case studies, this research will provide insights into the effectiveness of CSR initiatives and their impact on society and business performance. Furthermore, it will discuss the implications of CSR for Indian businesses, focusing on the balancing act between profitability and social good.

Objective of Research:

1) To analyze the practices of Corporate Social Responsibility (CSR) in Indian companies.
2) To examine the evolution of Corporate Social Responsibility (CSR) in India.
3) To identify key areas of Corporate Social Responsibility (CSR) implementation.
4) To assess the impact of CSR on corporate performance and society.
5) To explore challenges faced by companies in Corporate Social Responsibility (CSR) implementation.

Literature Review:

The literature on Corporate Social Responsibility (CSR) in India highlights its evolution and growing significance, particularly after the Companies Act of 2013 institutionalized CSR for certain companies. Bansal and Sharma (2015) demonstrated how CSR in India has transitioned from philanthropic gestures to more strategic initiatives in education, healthcare, and rural development, influenced by regulatory frameworks. Vachani (2016) emphasized CSR's role as a strategic tool, detailing challenges in integrating it with business operations and ensuring authentic reporting. Sah, Bansal, and Verma (2016) found a positive correlation between CSR efforts and long-term profitability, noting improved brand equity for companies prioritizing sustainability and community development.

Kolk and van Tulder (2017) analyzed CSR's role in promoting corporate accountability, stressing the importance of transparency and alignment with social objectives. Gupta and Singhal (2017) explored CSR in Indian public sector enterprises, highlighting their alignment with national development goals but noting implementation challenges. Hazarika (2017) examined the legal mandates of the Companies Act, observing increased CSR spending but emphasizing the need for sustainability and effective reporting. Chakrabarty (2017) provided a sectoral analysis, revealing disparities in CSR practices across industries, with agriculture focusing on rural development and manufacturing emphasizing environmental sustainability.

The Business and Community Foundation (2017) identified significant gaps in CSR reporting and accountability despite increased spending. Singh and Sharma (2017) highlighted the importance of stakeholder engagement, showcasing examples of impactful and inclusive CSR projects. Collectively, this body of work underscores the dual role of CSR in fostering business growth and societal welfare while calling for improved implementation, transparency, and long-term planning.

Research Methodology:

This study examines Corporate Social Responsibility (CSR) practices in Indian companies. It uses a descriptive research design, combining primary and secondary data sources. Thematic analysis and descriptive statistics will be used, with a case study approach for a deeper understanding.

Corporate Social Responsibility (CSR) Practices in Indian Companies:

Corporate Social Responsibility (CSR) in India has evolved from a voluntary practice to a legally mandated responsibility under the Companies Act of 2013. This shift reflects the growing recognition of businesses' roles in contributing to society's social, economic, and environmental well-being. CSR has become a strategic tool for companies to align their goals with sustainable development while fostering goodwill, improving stakeholder relations, and ensuring long-term business success.

Before the Companies Act of 2013, CSR was largely voluntary for Indian companies, driven by business leaders' commitment to social causes. However, with the introduction of the Companies Act of 2013, it became mandatory for companies meeting certain thresholds to allocate a percentage of their profits to CSR activities. The law stipulates that companies with a net worth of ₹500 crore or more, an annual turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more should spend at least 2% of their average net profits from the preceding three years on CSR activities.

Indian companies engage in various CSR activities across sectors, often focusing on community welfare, education, healthcare, and environmental sustainability. Some of the most common CSR initiatives in India include education and skill development, healthcare initiatives, environmental sustainability, and women empowerment. However, challenges remain in CSR implementation, such as compliance and accountability, impact measurement, and the future of CSR in India. The integration of technology into CSR programs, such as digital platforms for education and health outreach, will enhance the reach and effectiveness of CSR initiatives.

Regulatory Framework for CSR in India:

The Companies Act of 2013 in India formalized Corporate Social Responsibility (CSR) as a legal obligation for certain companies. Prior to this legislation, CSR was largely voluntary and seen as a way for businesses to contribute to social development. However, with the introduction of the Act, CSR spending became a legal requirement for companies falling under specific criteria.

Key provisions under the Act stipulate that companies must allocate at least 2% of their average net profits to CSR activities. The Act specifies the type of activities that qualify as CSR, such as eradicating hunger, poverty, malnutrition, promoting education, gender equality, women empowerment, improving healthcare, sanitation, access to clean water, environmental sustainability, and protection of national heritage, art, and culture.

Every company subject to the CSR mandate must form a CSR Committee, which oversees the company's CSR strategy, identifies projects to fund, and ensures that the allocated funds are used effectively. Companies are also required to disclose their CSR activities in their annual reports, providing transparency and accountability.

The CSR mandate had made a considerable impact on corporate spending in India, with the top 100 companies alone spending over INR 10,000 crore on CSR activities between 2014 and

2017. This spending was directed towards various initiatives, such as education and skill development, healthcare, environmental sustainability, and women empowerment.

However, challenges remain in CSR implementation, including lack of clarity on impact measurement, pressure to comply, and sustainability and long-term impact. As CSR continues to evolve, there is an increasing emphasis on aligning CSR with business goals, with a greater focus on sustainability, integration with business models, and increased stakeholder engagement.

The Companies Act of 2013 has significantly changed the landscape of CSR in India, turning it into a legally mandated practice that companies must adopt.

Indian companies have been focusing on Corporate Social Responsibility (CSR) practices to address socio-economic and environmental challenges. Key focus areas include education, healthcare, sanitation, environmental sustainability, women empowerment, rural development, agriculture, infrastructure, and skill enhancement. Tata Group, known for its pioneering CSR efforts, launched the Tata Institute of Social Sciences (TISS) to promote higher education and contribute to building educational infrastructure. Reliance Industries and ITC Limited also focused on improving healthcare access and sanitation in rural areas.

Sustainability became a core part of CSR efforts, with Infosys and Wipro investing heavily in eco-friendly infrastructure and renewable energy projects. Companies implemented water conservation programs, rainwater harvesting, and effective waste management practices in urban and rural areas. Women empowerment gained momentum through targeted CSR programs, such as the "Nanhi Kali" initiative by Mahatma Gandhi Group and vocational training programs by L'Oréal India.

Rural development initiatives targeted holistic development, including agriculture, infrastructure, and skill enhancement. Companies funded programs to educate farmers on modern agricultural practices and sustainable farming techniques. Rural entrepreneurship encouraged self-sufficiency by supporting micro-enterprises and providing training to rural youth.

Indian companies are committed to the CSR mandate outlined in the Companies Act, 2013, which requires eligible companies to allocate 2% of their net profits to CSR activities. However, challenges such as regional disparities, transparency in fund allocation, and a short-term approach to CSR initiatives require improvement to ensure sustained and equitable impact.

Challenges in Corporate Social Responsibility (CSR) Practices in India:

Despite the legal mandate for Corporate Social Responsibility (CSR) under the Companies Act, 2013, several challenges hinder the effectiveness of CSR initiatives in India. These include a lack of strategic alignment, transparency issues, a short-term focus, and regional disparities.

Many companies view CSR as a compliance-driven obligation, disconnected from their mission and objectives. This results in fragmented efforts that may not create sustainable value for communities or businesses.

Companies often lack detailed disclosures about their CSR activities, which undermines accountability and can lead to skepticism about the effectiveness and integrity of CSR initiatives.

Many CSR initiatives in India are geared toward short-term goals, such as one-time donations or disaster relief efforts, which do not address systemic issues or contribute to long-term solutions. This often overlooks opportunities to invest in sustainable development projects like education, skill development, healthcare, or environmental conservation.

CSR spending in India is often concentrated in urban and industrial regions, leaving rural and remote areas underfunded and underserved. This urban bias exacerbates regional inequalities and neglects the needs of marginalized communities in rural areas.

To overcome these challenges and enhance the effectiveness of CSR in India, companies must adopt a more strategic and transparent approach. This includes aligning CSR with business strategy, enhancing transparency and accountability, focusing on sustainability, and reducing regional disparities. By addressing these challenges, CSR can become a powerful tool for achieving inclusive and sustainable development in India.

Conclusion:

The implementation of the Companies Act, 2013, in India, led to a significant increase in Corporate Social Responsibility (CSR) activities across sectors like education, healthcare, and environmental sustainability. However, there were still gaps in CSR practices, with many companies viewing it as a compliance exercise rather than a strategic vision. Transparency and accountability remained inconsistent, with limited reporting on the impact of initiatives. Regional disparities were highlighted, leaving rural and underserved communities underfunded. Short-term projects limited the scope for long-term, sustainable development. To maximize CSR potential, businesses need to adopt a more strategic and inclusive approach, enhance transparency, address regional imbalances in fund allocation, and focus on sustainable, impact-driven projects. This will not only benefit society but also strengthen businesses by fostering goodwill and stakeholder trust.

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