



## Emerging trends in corporate social responsibility (CSR) in India

Dr. Vinod Kumar Bagoria

Assistant Professor, Faculty of Law, Jai Narain Vyas University, Jodhpur, Rajasthan, India

### Abstract

Corporate Social Responsibility (CSR), can be described as, the continuous dedication by corporations towards the economic and social development of communities in which they operate. Social responsibility is not a new concept to Indian Corporate bodies. It is the moral obligation to do something for the betterment of others without expecting anything in return. Indian companies have engaged themselves for social cause since their inception irrespective of any laws. After independence the nature of corporate governance has undergone some changes. Today, CSR in India has gone beyond simply charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that create specialised CSR policies, strategies, and goals, as well as finances to support those programmes. Nowadays, maximising a company's overall influence on stakeholders and society is the primary goal of CSR. In India, CSR has gone through several stages. In this essay, we examine how the concept of corporate social responsibility has fundamentally changed over the past ten years in India, as well as the fresh, cutting-edge methods that have been used to apply it.

**Keywords:** CSR, corporate social responsibility, emerging trends, social development

### Introduction

In the current point of view, each company carries the aim of profit maximization, Even though it is achieved by exploiting the humanity or society. But in the Indian perspective, we not only empower the corporate but also want to empower the society. The hypothesis of corporate sustainable development includes both social upliftment and social justice. This can be evaluated from the fact that India is the only country in the world in which CSR has been made legally mandatory. Section 135 along with Schedule VII of the Companies Act, 2013, inter alia, provides for companies having net worth of rupees 500 crore or more or a turnover of rupees 1000 crore or more or a net profit of rupees 5 crore or more in a financial year to spend at least 2% of the average net profits of last 3 years for the company's CSR policy. Amid the COVID-19 (corona virus) epidemic, the Ministry of Corporate Affairs (MCA) has notified that the company's costs to bout the pandemic will be deliberated valid under CSR activities. Funds may be used up on several activities associated to COVID-19 for instance promotion of healthcare together with preventive healthcare and sanitation, & disaster management. Some of the leading CSR trends inside the world of CSR comprise augmented transparency, investment in green technologies, people and employee engagement, & variety and inclusion initiatives. Two-Thirds of CEOs come to an understanding that companies (not the government or NGOs) will lead the evolution toward long-term social enhancement, according to a recent referendum CSR once meant a couple of big financial donations a year, but now officialdoms are investing more than just their money. Nowadays, the practice of CSR has ripened to include strategic philanthropy, employee volunteerism, cause marketing, disaster response, peer-to-peer fundraising, nonprofit board service, and even incorporating social responsibility into core business practices and offerings.

### What is CSR?

CSR is presented in different ways by different people. But basically it is an obligation on the corporate to charge towards society. The above obligations play an important role in conducting business ethically with social upliftment. It is commonly known as Corporate Citizenship or Corporate Responsibility.

Typically, CSR is unstated to be the manner firms assimilate social, environmental and economic apprehensions into their values, culture, decision making, strategy and operations in a see-through and responsible manner and thereby establish better practices within the firm, build wealth and improve society.

Corporate Social Responsibility (CSR) is a corporate methodology that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. CSR is a notion with numerous definitions and practices. The manner it is implicit and executed varies greatly for every company and nation. Furthermore, CSR is a very wide notion that addresses numerous and several areas for instance human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Whatsoever the definition is, the determination of CSR is to drive alteration towards sustainability<sup>[1]</sup>.

### Why CSR Is Needed?

In the current perspective, CSR in India has legal requirements under Section 135 of the Companies Act 2013. Alternatively, CSR is not legally required on the globe. Since every company wants to reach the highest peak of success which is possible only if they follow their social obligations and hold morality and this is possible only when the company fulfills its social and environmental requirements.

Corporate Social Responsibility (CSR) is when a corporation functions in an ethical and sustainable manner

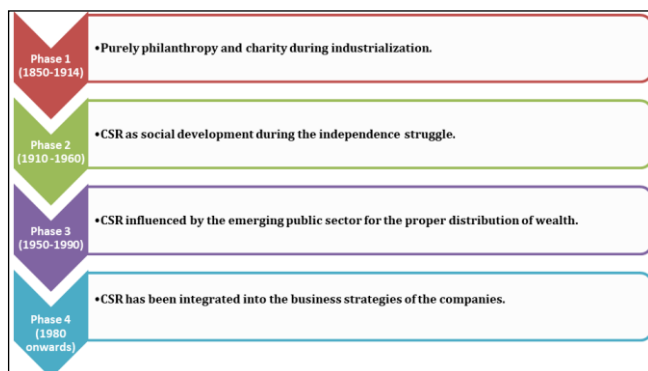
and deals with its environmental and social impacts. This means a prudent deliberation of human rights, community, environment, and society wherein it operates.

As the above actualities show, customers are progressively conscious of the prominence of social responsibility, and dynamically seek products from industries that function ethically. CSR determines that you're a trade that takes an interest in wider social issues, instead of just those that influence your profit margins, which will attract consumers who share the same standards. Consequently, it builds good business logic to achieve sustainably [2].

**Evolution of CSR**

In a historical perspective, the enhancement of Corporate Social Responsibility and related reporting can be explained by several changes –

1. During the years of 1850 to 1914, researches generally referred to the purely philanthropy and charity during industrialization.
2. During the years of 1910 to 1960, CSR as social development during the independence struggle.
3. Although during the years of 1950 to 1990, CSR influenced by the emerging public sector for the proper distribution of wealth.
4. Subsequently the turn of the era, 1980 onwards CSR has been integrated into the business strategies of the companies.



**Fig 1:** Evolution of CSR

As per Aras & Crowther (2008) [3], there are various stages of maturity of progress for Corporate Sustainable Development and Corporate Social Responsibility –

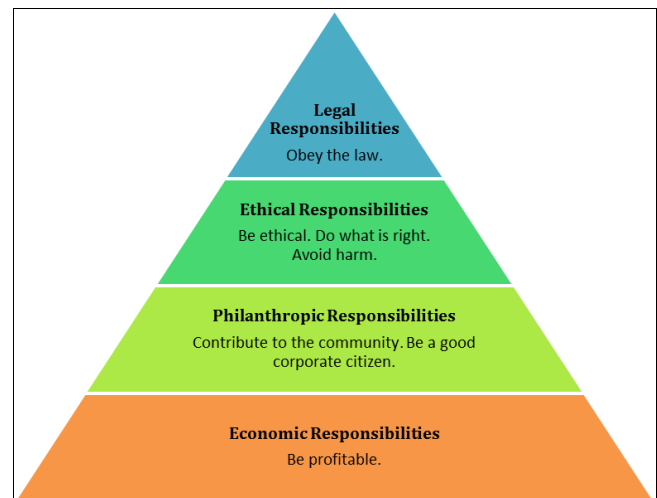
1. In the initial phase, firms started engaging in window dressing activities by altering the phrasing to replicate CSR language deprived of understanding the meaning.
2. The second phase, called cost containment, whereby firms reengineer business process to reduce consumptions of water and energy that reduce costs and improve financial performance.
3. The stakeholder engagement is the third phase, whereby firms start being worried by member of staff and customer satisfaction.
4. The fourth phase contains in interactive about these enterprises by developing CSR reports.
5. The fifth phase is the sustainability that would signify revolutionary alterations to trade practice and a substantial amount of procedure re-engineering.

**Components of the Concept OF CSR**

According to Carroll (1983), “Corporate Social Responsibility CSR comprises the manner of a corporate so

as to it is economically beneficial, law abiding, ethical and socially supportive. To be socially accountable then means that profitability and compliance to the rule leading circumstances when discussing the firm’s ethics and the extent to which it supports the society in which it exists with involvement of money time and talent.”

- **Legal Social Responsibilities** refer to the businesses that should not only operate for profit motive but they are also expected to abide by the laws and regulations promulgated by state, local and federal governments.
- **Ethical Social Responsibilities** refer to the legal part and Law does not impose ethical responsibilities, but the government and the society expect them. Ethical answer abilities comprise those norms, standards and anticipation that personnel, customers, shareholders and the civic regard as fair.
- **Philanthropic Social Responsibilities** focus on improving the quality of life of employees, communities and society. It is fulfilling the charitable expectation of the society.
- **Economic Social Responsibilities** concern the responsibility of business of produce goods and services needed by society, and selling them to make acceptable profit.



**Fig 2:** Carroll's CSR Pyramid OR Total Corporate Social Responsibility

Carroll's CSR Pyramid is a simple framework that assistances argue how and why administrations should meet their social responsibilities. The key features of Carroll's CSR Pyramid are that:

- CSR is constructed on the basis of profit – profit must come first.
- Then comes to the necessity for a corporate to ensure it complies with all laws & regulations.
- Previously a business deliberates its philanthropic options; it also needs to meet its ethical duties [4].

**Legal Prospective of CSR**

The theory of Corporate Social Responsibility emphasizes social upliftment and social justice. This can be evaluated from the fact that India is the leading nation in the globe

which has made a provision for Corporate Social Responsibility in the 7<sup>th</sup> Schedule, Section 135 of the Indian Companies Act, 2013 for corporate. The concept of CSR has come into effect from 1<sup>st</sup> April, 2014 as a rule 2014. "According to the above provision, every company with a net worth of more than 500 crore or a turnover of 1000 crore or more or net profit of five crore or more, has a rule to spend 2% on CSR of 3 years average profit <sup>[5]</sup>."

The provisions of Corporate Social Responsibility would not be applicable on the company where none of the three criteria, the net worth nor turnover nor the net profit is being met by the company are being fulfilled. The same was held in the matter of *Bilfinger Neo Structo Private Limited* <sup>[6, 7]</sup>.

As a consequence of the spread of novel Corona Virus in India, Ministry of Corporate Affairs (MCA) amends 7<sup>th</sup> Schedule, Section 135 of the Indian Companies Act, 2013. A foreign institution having its branch office or project office in India, which accomplishes the criteria stated above can also make the Corporate Social Responsibility (CSR) for COVID-19. In accordance with the Schedule VII of Companies Act, CSR Policies and activities are as follows:

- Eliminating extreme poverty and hunger
- Advancement of education
- Progression gender equality & empowering women
- Developing child mortality & improving maternal health
- fighting human immunodeficiency virus (HIV), acquired immune deficiency syndrome, malaria and any other diseases
- Employment augmenting vocational skills
- Ensuring environmental sustainability
- Social business project
- Contribution to National Relief fund of Prime Minister or any other relief fund establish by the Government of India
- Contribution to Government meant for socio-economic enlargement & funds designed for the well-being of scheduled castes, scheduled tribes, other backward classes, minorities and women

In conjunction with these activities, government has encompassed disaster management, as well as relief, rehabilitation & reconstruction activities as CSR activities.

In the matters of *Technicolor India (P.) Ltd. v. Registrar Of Companies* <sup>[8]</sup> the maximum level of net profit limit was achieved by the company concerned as per the provision of section 135 of the Companies Act. Therefore, company became responsible for CSR. As a result, the company formed a CSR committee and was given the rights and responsibilities to spend the fund in relation to the financial year 2017-18. Some amount was spent on CSR by the said committee, which was less than the limit mentioned in Section 135(5) of the Companies Act. However it was established that the amount expended on the CSR and accompanying detail is erroneously captured in the Director's report. Therefore, an application in this regard was sent to NCLT Bangalore by the said company. Consequently, NCLT Bangalore permitted the application of the company to alter its report providing liberty to the company to file for compounding under section 441 of the Companies Act.

#### ▪ **Eligible CSR Expenditure Related to COVID-19 Activities –**

The MCA has announced the eligible CSR expenditure related to COVID-19 activities, the details are as follows:

- Contribution to PM CARE Fund
- Contribution to the State Disaster Management Authority
- Outlay of CSR funds for activities related COVID-19 such as the promotion of health care, including preventive health care, sanitation and disaster management etc.

#### ▪ **Non-Eligible CSR Expenditure Related to COVID-19 Activities –**

The following contributions related to COVID-19 activities are not eligible for CSR expenditure:

- Contribution to Chief Minister's Relief Funds
- Contribution to State Relief Funds
- Payment of Wages to Employees
- Payment of wages to daily wage workers during the lockdown period

#### **Trends in CSR**

CSR spending by companies listed on NSE increased 18% to 11,961 crore rupees in 2018-19, as per a report. During 2017-18, the firms listed on NSE had spent 10,179 crore rupees. CSR expenditure by companies listed at NSE has grown up at a healthy compounded annual growth rate of 17% over the last 5 years.

Of the total funds spent on CSR, maximum spending was on education and vocation skills at over 4,440 crore rupees. Among other areas, hunger, poverty and healthcare witnessed a spending of 3,242 crore rupees, rural development 1,322 crore rupees and environmental sustainability nearly 1,020 crore rupees, the report found.

Areas such as armed force veterans, technology incubators, slum development and disaster management saw negligible spends. Giving a state-wise overview, the report said that top 10 states which received maximum CSR funds were Maharashtra, Gujarat, Rajasthan, Karnataka, Tamil Nadu, Odisha, Delhi, Andhra Pradesh, West Bengal and Telangana <sup>[9]</sup>.

Some of the most popular CSR trends in the area of corporate social responsibility are as follows –

- Increased Transparency in Processes
- Green Technology
- Global Companies Acting Locally
- Diversity and Inclusion
- Focus on ESG (Environmental, Social and Governance)
- Increase in the use of Renewables
- Employees Activism
- Focus on Impact

#### **CSR activities of Top 10 Indian Companies**

Implementation in 2020 is a mixed bag, what with COVID-19 activities taking up the biggest chunk of funding. A number of cyclones and floods wreaked havoc in large parts of the subcontinent. As a result, funds were also directed to disaster relief operations in Assam, Kerala, Bihar, Odisha and West Bengal. Sustainability and CSR in 2020 is a work in progress, since we haven't reached the year-end yet. However, these rankings take into account the FY 2019-20 CSR projects which have been running since last year.

Factors we took into account were impact assessment, compliance, funding and implementation on ground [10]. These activities can be classified using the Carroll’s Pyramid based on their nature and Included in Companies

Act 2013 clause VII The major CSR activities by Indian companies are taken in the following areas:

**Table 1:** Companies whose CSR activities are studied Classified based on top 10 Indian Companies in 2020

Ranking	Name of the Company	Health	Education	Community Development	Environment	Covid-19
1	Infosys Limited	✓	✓	✓		✓
2	Mahindra & Mahindra Ltd.		✓	✓	✓	
3	Tata Chemicals Ltd.			✓	✓	
4	ITC Ltd.	✓	✓	✓	✓	
5	Vedanta Ltd.			✓	✓	
6	Wipro Ltd.	✓		✓		
7	Hindustan Unilever Ltd.	✓		✓	✓	✓
8	Godrej Consumer Products Ltd.	✓		✓	✓	
9	Grasim Industries Ltd.	✓	✓	✓		
10	Bharat Petroleum Corporation Ltd.	✓	✓	✓	✓	✓

Source: Computed from secondary data

**Advantages of CSR**

Corporation cannot persist in segregation and cannot be unaware to societal enlargement. The social responsibility of an organization can be integrated into the industrial persistence so as to create an optimistic synergy amongst the two.

1. CSR builds an optimistic public image, which magnetizes consumers. Reputation or brand equity of the goods of a corporation which realizes and proves its social responsibilities is very high. CSR can create reputation, although those that execute deficiently can impairment brand and firm value when exposed. Brand equity, is created on values such as faith, trustworthiness, loyalty, excellence and stability.
2. CSR activities have its advantages. It creates an optimistic image & boosting social participation of employees, which in turn builds a sense of fidelity towards the corporation, aiding in making a dedicated personnel proud of its organization.
3. The general public gains throughout better neighborhoods as well as employment opportunities, although the organization gains from a better civic which is the key source of its personnel and the buyer of its products.
4. Community needs have altered foremost to changed anticipations from customers. The industry owes its very existence society and has to act in response to desires of the society.
5. The company’s social participation discourages unnecessary regulation or intercession from the Government or statutory bodies and from now gives greater liberty and suppleness in decision making.
6. The in-house activities of the corporation have an impact on the outward surroundings, since the society is an inter-dependent system.
7. An organization has a great deal of dominance and money, consigned upon it by the society and should be escorted by an equivalent amount of accountability. In other words, there should be a sense of balance between the authority and responsibility.

**Challenges of CSR**

Although CSR has gained emphasis in India, there are several issues challenging its effectiveness and reach. A lack

of proper understanding of the concept of CSR, non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. are some of the various challenges facing CSR initiatives. Absence of training and undeveloped staff is additional problems for reduced CSR initiatives. A survey conducted by Times Group survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country revealed.

**1. Lack of community participation in CSR activities**

There is a nonexistence of attentiveness of the local public in joining and participating to CSR programs of companies. This is largely attributable to the actuality that there exists minor or not any awareness concerning CSR within the local public as no major efforts have been made to spread consciousness regarding CSR and instill confidence in the local public regarding such ingenuities. The circumstances are more serious by an absence of communication between the corporation and the society at the grassroots.

**2. Need to build local capacities**

There is a necessity for capability building of the indigenous nongovernmental corporations as there is serious scarcity of skilled and well-organized corporations that can efficiently contribute to the continuing CSR accomplishments initiated by businesses. This gravely compromises scaling up of CSR projects and consequently confines the scope of such accomplishments.

**3. Issues of transparency**

Dearth of transparency is one of the major issues brought out by the research. There is an countenance by the corporations that there subsists dearth of transparency on the part of the local executing agencies as they do not generate satisfactory efforts to reveal information on their programs, audit issues, impact assessment and utilization of funds. This reported nonexistence of transparency adversely impacts the procedure of trust building between companies and

local communities, which is a key to the success of any CSR initiative at the local level.

#### 4. Non-availability of well-organized non-governmental organizations

It is also reported that there is non-availability of efficient nongovernmental administrations in remote and rural areas that can evaluate and recognize real needs of the civic and work accompanied by companies to ensure effective implementation of CSR accomplishments. This also builds the case for participating in local communities by means of building their capabilities to take on development projects at local levels.

#### 5. Visibility factor

The responsibility of media in emphasizing good cases of effectual CSR initiatives is welcomed as it binges virtuous stories and exposes the local population concerning several continuing CSR initiatives of companies. This seeming impact of gaining discernibility and branding exercise frequently leads numerous non-governmental organizations to comprise themselves in event-based programs; in the process, they frequently lose out on meaningful grassroots interferences<sup>[11]</sup>.

### Conclusion and Suggestions

CSR is a worldwide concept. In the past, CSR was presented in a compressed format. But over time, it is emerging as a business strategy on a global level, making fundamental changes in its form. In the current perspective, CSR is influenced by global ideas, values, policies and principles. The utility of CSR in the current business environment has increased unexpectedly. Currently, companies have started taking interest in CSR activities to remain in the business environment. It is like a collective charity. It is a legal award based on the methodology of public welfare as a result of a series of government efforts.

For the prosperity and strength of any business, it is very important that in addition to its profitability, it should also strive for social prosperity. Since CSR has been mandated in the Indian Company Law, as a result, it has been made a mandatory social responsibility for Indian companies. But it can be said to be appropriate only when the corporates automatically feel their duty and feel inclined towards it.

It would be fair to say that at present CSR not only has the potential to give impetus to the economy but it also plays an active role in the day to day activities of corporates. Therefore, it is not possible to separate them from the existence of corporates.

### References

1. See Corporate Social Responsibility Definition from Financial Times Lexicon visit also [http://lexicon.ft.com/Term?term=corporate-social-responsibility--\(CSR\)\(Published, 2018.\)](http://lexicon.ft.com/Term?term=corporate-social-responsibility--(CSR)(Published, 2018.))
2. See The Importance of Corporate Social Responsibility for Your Business <https://www.highspeedtraining.co.uk/hub/importance-of-corporate-social-responsibility> (Last visited on, 2020)
3. See Aras G, Crowther D. Governance and sustainability: an investigation into the relationship

between corporate governance and corporate sustainability. *Management Decision*, 2008;46(3):433-448.

4. See Carroll's CSR Pyramid visit also <https://www.tutor2u.net/business/reference/carrolls-csr-pyramid> (Last visited, 2020)
5. "daiuh vf/kfu;e] 2013, oe~ fu;e] 2014", Delhi, Commercial Law Publishers (India) Pvt. Ltd, 2015, 105.
6. 2019 SCC Online NCLT 108, CP No. 54/441/NCLT/MB/MAH/2018
7. See CSR Provision under Companies Act 2013 with latest case laws decided by NCLT, visit also [https://taxguru.in/income-tax/csr-provision-companies-act-2013-latest-case-laws-decided-nclt.html#\\_ftnref2](https://taxguru.in/income-tax/csr-provision-companies-act-2013-latest-case-laws-decided-nclt.html#_ftnref2) (Last visited on Jan. 25, 2021)
8. See 2020 (7) TMI 423
9. See <https://www.financialexpress.com/> (Last visited on November 11, 2020)
10. See <https://www.thecsrjournal.in/> (Last visited on November 11, 2020)
11. See "An Analysis of Corporate Social Responsibility in India", International Journal of Research – Granthaalayah, | ISSN 2394-3629, 2016:6(5):56-64.