



## **A Review paper on Corporate Social Responsibility (CSR) Implementation in India**

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### **Abstract**

Corporate Social Responsibility (CSR) is an essential aspect of an organization's system, emphasizing its duty towards business, stakeholders, and society. It's more than philanthropy; it's a core business strategy aimed at improving societal well-being while balancing economic, social, and environmental goals. Research examines if Indian companies integrate CSR into their fundamental business framework. Research on the position of Indian companies regarding CSR can provide insights into the depth of their commitment, the effectiveness of their initiatives, and whether CSR is genuinely integrated into their core business framework. Understanding this can help encourage companies to further align their strategies with sustainable and responsible practices for the betterment of society and their own long-term success.

**Key words:** CSR, Companies, Sustainable, Implementation

### **Introduction**

Corporate Social Responsibility (CSR) has indeed become an integral part of many organizations' strategies worldwide. In India, too, CSR has gained significant importance and is recognized as a means for companies to contribute positively to society while aligning with their business goals. Indian companies, as per the Companies Act, 2013, are mandated to spend a certain portion of their profits on CSR activities, emphasizing their responsibility towards the community and the environment. This legal requirement has encouraged companies to integrate CSR into their fundamental business framework. Several Indian companies have demonstrated a commitment to CSR by engaging in various initiatives such as education and skill development programs, healthcare services, environmental sustainability efforts, and community development projects. These initiatives aim not only to benefit society but also to enhance the company's reputation, employee engagement, and long-term sustainability. However, the extent to which CSR is deeply ingrained in the core business strategy varies among companies. While some view CSR as a genuine commitment to social welfare integrated into their operations, others might perceive it as a compliance-driven obligation to fulfill legal requirements. The motivation and approach towards CSR can differ based on organizational values, leadership philosophy, and stakeholder expectations. Research into the position of Indian companies regarding CSR can provide insights into the effectiveness, sincerity, and impact of their CSR initiatives. It can evaluate whether CSR is embraced as a holistic approach embedded in the fundamental business framework or if it remains a peripheral obligation. Understanding this can further encourage businesses to align their strategies with sustainable and responsible practices for the betterment of society and their own long-term success.

Forbes (2010) highlights the dual role of corporate social responsibility: it involves giving back to society while also gaining visibility and goodwill. Narayan Murthy, the founder of Infosys, defines social responsibility as maximizing shareholder value while considering the well-being of all stakeholders, including employees, customers, communities, government,



and the environment. Absolutely, the Companies Act of 2013 in India mandated Corporate Social Responsibility (CSR) by law. As per this law, companies with a net profit of Rs 5 crore or more are required to spend at least 2% of their average net profits on CSR initiatives. This legal provision aims to encourage businesses to contribute positively to society and invest in social development alongside their commercial pursuits.

### **The Key Drivers for CSR**

Indeed, many organizations prioritize customer satisfaction over corporate social responsibility (CSR), considering CSR as a peripheral concern. They often perceive that meeting consumer needs and maintaining their satisfaction holds greater importance for their business compared to social responsibility initiatives. This mindset may stem from the immediate and direct impact customer satisfaction has on sales and revenue, leading some businesses to prioritize it over long-term societal contributions through CSR.

Certainly, there are numerous drivers for Corporate Social Responsibility (CSR) within businesses:

**Laws and Regulations:** Governments play a crucial role by setting the agenda for social responsibility through laws and regulations. These measures ensure that businesses operate responsibly and prevent harm to society and the environment.

**Aggressive Labor Markets:** Employees are increasingly seeking employers whose values and practices align with their own principles, extending beyond monetary benefits. This drives companies to adopt ethical and responsible working practices to attract and retain talent.

**Charity and Ethical Frameworks:** Historical and ethical drivers, including a sense of moral responsibility, have influenced the rise of CSR. Post-World War II, national and international regulations emphasized the need for a social policy in transnational corporations.

**Moral Consumerism:** The popularity of ethical consumerism has grown, pressuring businesses to adopt CSR practices. As consumer populations increase, the demand for limited natural resources rises, and consumer decisions increasingly consider the ethical stance of companies.

**Globalization and Market Forces:** Companies face challenges such as government regulations, environmental restrictions, and taxation. Embracing social commitments can offer a competitive advantage in this context.

**Social Awareness and Education:** Stakeholders, including corporate partners and non-governmental organizations, leverage media and the internet to scrutinize and advocate for responsible corporate behavior.

These drivers collectively push companies to integrate CSR into their operations, driven by legal mandates, employee preferences, consumer demands, competitive advantages, social pressures, and ethical considerations.

### **Review of Literature**

Gond et al. (2011) propose that orchestrating CSR entails forming partnerships (such as between NGOs and firms), adhering to CSR standards (e.g., the Global Reporting Initiative), and navigating government policies that regulate reporting on environmental, social, and governance impacts. In the Indian context, the draft Company Bill Act of 2013 (PradeepUdhas and SaiVenkateshwaran, 2013) outlines the guidelines for companies to undertake and execute CSR activities and allocate funds towards CSR initiatives.

Baumann-Pauly et al. (2013) investigated the impact of firm size on CSR organization. Their comparative study involving Swiss MNCs and SMEs suggested that small firms possess internal characteristics promoting CSR practices within core business functions but limit



external communication and reporting. Conversely, MNCs excel in external communication while facing challenges in internal implementation.

Arenas et al. (2013) emphasized the significance of third-party involvement in understanding firm-civil society collaborations. They analyzed various roles of third parties, elucidating their facilitative role in fostering collaborations.

Burchell and Cook (2013) explored the changing dynamics between NGOs and businesses in response to evolving CSR and sustainable development agendas. They focused on the process of appropriation and co-optation of protest by the business community, examining its theoretical implications.

As per Kakade (2019) the analysis of respondent opinions indicates a clear priority among Indian companies in terms of where their CSR investments should focus:

The majority of respondents, at 44%, prioritize increased investment in health by Indian companies. Education follows at 30%, with 10% and 16% focusing on the environment and community, respectively. Overall, the consensus among the respondents highlights a strong emphasis on healthcare and education, recognizing these sectors as pivotal for the overall well-being and development of society. Also this paper concluded that the majority of respondents, constituting 68%, believe that CSR hasn't been fully integrated into the fundamental business framework of Indian companies. On the other hand, 29% perceive CSR as an integral part of this framework. A small percentage, merely 3%, hold a neutral or partial stance on this matter. The study revealed that Indian companies increased their spending on CSR by 47% in 2018 compared to 2014. This significant rise occurred post the amendment in the Companies Act that mandated companies to allocate 2% of their net profit towards CSR initiatives.

As per Bala, M. (2015). the most favored method, utilized by 69.1% of collective companies, for executing CSR practices in India is through separate CSR Project Management. This preference aligns with the Indian Company Bill Act, mandating the formation of a CSR committee in these companies. MNCs and PSCs rank highest in employing this method, with 75.9% involvement among MNCs, surpassing PICs at 62.0%. Partnering with NGOs stands as the second preferred method, chosen by 52.5% of all companies. MNCs lead in this approach (63%), followed by PSCs (58.6%) and PICs (43%), highlighting MNCs' inclination to leverage NGO expertise for social causes. Establishing Trusts/Foundations/Societies ranks next, with 35.8% of companies adopting this mode. This method finds more popularity among PICs (39.2%), followed by PSCs (34.5%) and MNCs (31.5%). Collaboration with other companies for CSR projects ranks fifth, engaged by 27.2% of companies, notably for larger initiatives like building schools or hospitals. MNCs (29.6%) predominantly engage in joint ventures for social programs, followed by PSCs (27.6%) and PICs (25.3%). Lastly, funding the government for CSR implementation is the least preferred, reported by only 15.4% of companies. MNCs top this category (22.2%), while PICs come second, and PSCs, due to regulations, cannot contribute to the Prime Minister's National Relief Fund.

Arevalo, J. A., & Aravind, D. (2011) the research surveyed high-level managers from various industry sectors actively involved in CSR initiatives. It reveals that Indian firms highly favor the stakeholder approach in CSR. Moreover, it highlights the caring or moral motive, followed by the strategic or profit motive, as key drivers for firms engaging in CSR. Additionally, the study identifies resource constraints as the primary obstacle to CSR implementation, followed by the complexities involved in executing CSR initiatives.



Aggarwal, V. S., & Jha, A. (2019), the goal is to expand existing theory by introducing a conceptual model that connects institutional pressures, CSR practices, corporate reputation, and financial performance in a developing nation such as India. This model draws on Scott's institutional theory, establishing connections between regulative, normative, and cognitive pressures influencing CSR practices. Additionally, it proposes that corporate reputation acts as a mediator between CSR activities and financial performance within this framework.

Narwal, M., & Singh, R. (2013), this paper aims to investigate the diverse CSR practices undertaken by companies in India and conduct a comparative analysis between Indian companies and multinational corporations (MNCs) operating in India. The study encompassed a sample of 38 companies, comprising 18 Indian firms and 20 MNCs from various countries across different industries. Analyzing the collected data using ANOVA and factor analysis revealed minimal disparities in CSR practices between Indian companies and MNCs. The key differences observed were in the prioritization of CSR areas. Both sets of companies emphasized CSR practices related to environmental marketing, sustainable development, local community support, and maintaining transparency and accountability.

### **Conclusion**

Certainly, the extent of CSR initiatives often varies based on the size and financial capacity of a company. Smaller companies operating with narrower profit margins might face limitations in conducting extensive CSR activities. However, while the scale may differ, there are common thematic areas across all companies where CSR efforts can be directed. These areas include education, healthcare, environmental sustainability, community development, and more. Companies, regardless of size, can choose to focus on these common themes or select specific areas aligning with their capabilities and resources for their CSR initiatives. The flexibility to choose allows companies to make meaningful contributions to society within their means. MNCs are aligning their CSR practices closely with those of Indian companies, indicating their adherence to the established business norms within host countries

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