

“EXAMINING PROBLEMS AND DIFFICULTIES IN CORPORATE SOCIAL RESPONSIBILITY IMPLEMENTATION”

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Abstract

A campaign to increase corporate awareness of how their actions impact the environment, other people, and even their own stakeholders. A business strategy known as corporate social responsibility (CSR) addresses financial, social, environmental, and economic issues while promoting sustainable growth for the benefit of all stakeholders. This phrase can be used in many different contexts. Every country and business understands and uses it in a totally distinct way. Moreover, the concept of corporate social responsibility, or CSR, is quite broad and encompasses a variety of topics, including as human rights, corporate governance, environmental effects, health and safety, and working conditions. The goal of CSR is to encourage shifts towards sustainability. While some companies could have amazing success with their own CSR initiatives, it can be difficult to stay at the forefront of every CSR advancement. With this in mind, the example provided illustrates best practices in a crucial area of corporate social responsibility: environmental sustainability. The successful execution of CSR encounters various hurdles and difficulties. In this essay, the issues and challenges will be examined that come up when implementing CSR as well as the solutions that have been discovered.

Keywords: Sustainable development, Corporate Social Responsibility, stakeholders, health and safety ,environment

Introduction

In business reporting, the concept of "corporate social responsibility" has assumed a central role. All companies have a CSR policy in place and release an annual report detailing their initiatives. We all have the right to be able to discern between corporate activity that is irresponsible and behaviour that is socially conscientious. This brings up two interesting things. Firstly, despite our assertions to the contrary, we are unable to define social responsibility when asked. Second, our opinions about what social responsibility is do not always coincide. As a result, there are several definitions; we will look at a few in this paper. A company must meet one of the following three requirements in order to be qualified for the CSR, as per Section 135 of the Companies Act:

(i) it needs to be of minimum financial worth of five hundred crore; (ii) It needs to generate a turnover of no less than thousand crore; or (iii) It must achieve a net profit of at least five crore. Furthermore, as per the CSR Regulations, the guidelines of CSR extend to branch and project offices of foreign firms situated in India.

All eligible businesses must commit to corporate social responsibility programs with minimum two percent of the mean net revenue for the past 3 fiscal years. The qualifying company shall form a committee of the Board of Members (Board) consisting of a minimum of three members of the Corporate Social Responsibility Committee. It is the duty of the CSR Committee to draft and submit a CSR Policy to the board, detailing the required steps. It also recommends how much money should be set aside for the specified activities and oversees the company's CSR

Policy. The board will take the recommendations of the CSR committee into account when approving the company's CSR policy.

Objectives are as follows:

- 1) To identify the notion of Corporate Social Responsibility
- 2) To research the problems and obstacles associated with implementing CSR
- 3) To talk about the actions that must be taken to address these problems.

CSR's Applicability in India

This CSR application is important because it allows companies to take part in campaigns or programs that are connected to the activities listed in the Schedule. By choosing CSR projects that fit with their corporate social responsibility (CSR) principles, businesses are also given more flexibility.

Activities under CSR

Some actions the business can take to achieve its obligations under corporate social responsibility include the following: end extreme hunger and poverty; promote education; support women's empowerment and gender equality; reduce maternal and child mortality; combat HIV/AIDS, AIDS, malaria, and other diseases; protect the environment; Make contributions to the Prime Minister's National Relief Fund as well as fund established by federal or state governments aimed at socioeconomic development and relief activities., women, minorities, tribes, disadvantaged groups, as well as other necessary problems; engage in social business initiatives; and create jobs that improve vocational skills.

Companies' Outlook towards CSR

Many companies place a higher priority on consumer satisfaction than corporate social responsibility, viewing the latter as secondary. They argue that today's consumers are mostly satisfied with cost and service, but they fail to take into account major worldwide changes that could fundamentally upend the industry. This change, called "social responsibility," offers a financial advantage. The real implementation of CSR is hampered by a number of issues and challenges.

Problems and Difficulties with CSR Implementation

To begin with, governments have traditionally relied on laws and regulations to achieve business sector social and environmental goals. The examination of voluntary and non-regulatory initiatives has been spurred by a mistrust of rules and a reduction in government support. Second, there is a lack of consensus among local agencies on CSR initiatives. This lack of unanimity often leads to corporate houses duplicating their efforts in areas of intervention. This encourages a competitive mentality among regional implementing agencies rather than cooperative problem-solving strategies. This limitation limits the company's ability to assess the effects of its operations on a regular basis.

Thirdly, when it comes to engaging in or supporting corporate social responsibility initiatives, the local community lacks excitement. There exist hardly minimal details or information regarding corporate social responsibility (CSR) in the existing communities, mostly due to the lack of

significant efforts to raise awareness about CSR and build local public trust in such programs and initiatives. The situation is made worse by the company's lack of community involvement at the grassroots level.

Fourth, there has also been a claim made that there are fewer well-organised non-governmental organisations (NGOs) in rural and remote areas who can recognize the genuine needs of the community and collaborate effectively with businesses to guarantee the effective implementation and smooth execution of CSR initiatives. It reinforces the rationale for investing in local communities by improving their competence in executing development initiatives. Fifth, the absence of explicit policy guidelines or regulatory criteria means that companies' CSR initiatives often lack focused direction.

The extent of a company's CSR initiatives should be based on its size and operational model. Put another way, a company's level of CSR rises as it gets bigger. Sixth, the value of the media's contribution in promoting successful CSR case studies lies in its ability to spread positive narratives and boost local awareness of different CSR programs and initiatives. Due to the apparent impact of branding exercises and improved visibility, numerous charitable organizations prioritize event-driven programming, they frequently neglect important grassroots efforts.

Seventh, there are findings that reveal that the moral behaviour of corporations is having an increasing impact on consumers' purchasing decisions. In a recent Environics International survey, more than half of consumers stated they had either rewarded or penalised businesses based on their purported social performance.

Eighthly, investors are making decisions based on morals and other values rather than just a company's performance. The Social Investment Forum states that in 1999, assets worth more than \$2 trillion were included into US portfolios with environmental and social responsibility filters. According to a previous Environics International survey, more than 25% of Americans who own shares took ethical considerations into account while buying and selling stocks.

Ninety percent of workers look for organisations whose values, principles, and methods of operation align with their own; they take into account aspects other than pay, benefits, and other incentives. In an effort to draw and keep talented workers, companies are under growing pressure to provide better working environments. Beyond pay and perks, people are looking for organisations whose principles and working practices match their own. Companies are under pressure to offer superior working environments in order to draw and retain skilled employees.

The survey's proposals and recommendations, which accurately reflect the current situation in the CSR field, call for the implementation of crucial actions to successfully implement CSR and establish it on a more secure foundation. This is essential to predict the direction of corporate social responsibility (CSR) in India and to take proactive steps to make it widely available. The subsequent recommendations are presented for careful and comprehensive evaluation by all relevant parties to operationalize and enhance CSR initiatives more effectively and reinforce the

company's core operations while building valuable networks and collaborative relationships involving all stakeholders, in light of the overall survey results and analysis.

Ways to get past the problems and difficulties with CSR

There are a few things that need to be done to solve the issues and challenges related to corporate social responsibility. First, studies show that in order to improve the effectiveness of corporate social responsibility (CSR) initiatives, there has to be a greater public understanding of CSR. This awareness-raising effort may be picked up by a number of parties, including the media, to highlight the admirable work that corporate entities are doing in this area. The public's perception of and attitude towards corporate social responsibility (CSR) initiatives will be drastically changed as a result.

These companies will be motivated to participate and effectively tackle issues like the lack of availability and accessibility of education, healthcare as well as employment opportunities for a significant portion of the Indian population through their innovative CSR efforts. Consequently, there would be a greater degree of achievement of the current social justice goal. Moreover, it is noted that community-level implementation of the corporate social responsibility framework is characterised by inefficiency and ineffectiveness when involving all pertinent stakeholders, including the business community, employees, the general public, local communities, and the government.

CSR programs are typically challenging to implement in situations like this. For CSR initiatives to be handled effectively, building strong relationships with all pertinent stakeholders is a problem that needs to be properly addressed. Therefore, in both their current and future strategic goals, all parties involved in CSR efforts and initiatives should embrace an expanded and sustainable structure.

Thirdly, businesses who engage in corporate social responsibility (CSR) address issues and conduct activities in diverse sectors, including livelihood, education, health, and women's empowerment. It has been noted that companies often find themselves imitating one another's engageinalike projects in the similar regions. The following not only causes challenges but also promotes a strong mind-set and mentality among firms. Given the range of issues and conditions present in the corporate social responsibility (CSR) space, businesses involved in CSR activities ought to think about uniting their efforts to establish a national alliance for CSR as soon as possible.

This alliance, which stands for a variety of industry interests, should embrace a broad development objective and provide the poor and needy with excellent services. Over time, the partnership would transform into a special purpose vehicle, or SPV. In order to raise the standard and volume of CSR initiatives, this would preserve tight cooperation with important stakeholders. Fourth, in order to implement best practices in corporate social responsibility, companies and non-governmental organisations ought to seriously consider pooling their resources and developing partnerships. This will assist them in growing their projects and generating fresh concepts to appeal to a larger group of people.

This will increase the impact that their efforts will have on people's daily lives. After all, both corporations and non-governmental organisations have the ability to assist the public through their various initiatives and programs. CSR programs need to be safeguarded at all costs in order to be scaled up and sustained due to their efficacy and efficiency.

Fifth, cities and other metropolitan regions are the sites of many CSR projects and activities. Thus, these projects have no effect on the poor and destitute in rural areas. This statement is not meant to suggest that urban India is free of poverty and destitution. On the contrary, urban areas also face challenges related to limited access to basic necessities. In addition to concentrating on metropolitan areas, the companies should aggressively review their programs in rural areas pertaining to health, education, female child labour, and female child welfare, since this will directly benefit the residents of those areas. Ultimately, about 70% of Indians continue to reside in rural areas.

Sixth, the government should consider recognising and applauding corporate giants and the non-governmental organisations they work with to implement programs that effectively help the underprivileged and destitute.

Seventhly, in order to raise students' awareness of development challenges at CSR as well as how it plays a crucial part in assisting institutional entities in striking a wise balance between their commercial and societal concerns, CSR as a field of study and research ought to be made mandatory in management schools, business training institutions, colleges, universities and academies. Young minds will be inspired and motivated by such an approach, which will also help them get ready for the difficulties of future development and work towards coming up with more creative solutions to the problems facing the impoverished and those in need. To ensure that young people are involved in civic concerns, business schools, non-governmental organisations, and experts from the corporate sector must be involved.

Eighthly, there are a lot of corporate entities in the nation that actively participate in different CSR projects. These businesses still choose their own initiatives based on a variety of factors. The company's operational viewpoints and the simplicity with which its CSR programs may be implemented are the only factors motivating these efforts. Given the large number of businesses engaged in CSR initiatives, an impartial body should establish an accreditation system for businesses in order to mainstream and institutionalise CSR into their core business operations.

Ninth, the private sector has played a visible and effective role in advancing the development agenda, with an emphasis on a number of areas including education, wellness, well-being, the environment, occupation, empowerment of women, gender equality, crisis management and disaster preparedness. There are also some creative private sector intervention models available for these fields. The practical and functional nature of interactions among the 3 key entities—the government, non-governmental institutions, and the private sector. They are collaboratively investigated and examined in order to advance the agenda of growth and development with a mission-driven approach.

CSR's Current Scenario in India

India is the country that has advanced the most. 2013 saw the passage of Section 135 of the Indian Companies Act, which mandates that all businesses that satisfy specific financial thresholds allocate two per cent of the net income average from the past three fiscal years invested in corporate social responsibility. In other words, businesses that generate a total revenue of at least Rs. 5 billion and achieve total sales of at least Rs. 10 billion, or a total profit of more than or equal to Rs. fifty million in any given financial year must ensure that they set aside two percent of their mean net revenue from the three years prior to implementing the CSR initiatives.

To determine how effectively this innovative experiment demanded CSR expenditure and transparency, we studied the information reporting practices of the four largest Indian banks by market capitalization and compared them with those in Japan, China, and Australia, where such regulatory requirements are not established. In order to do this, we examined the CSR and yearly reports of the chosen businesses from 2012, the year before the legislation was enacted. Prior to 2012, Indian banks did not have CSR reports.

The banks set up CSR committees that report any reasons for spending deficits and monitor CSR expenditures in accordance with the letter of the law. Among the Indian banks examined, only the State Bank of India (SBI) revealed its CSR expenditures before the new Companies Act was enacted; the other banks only began to disclose these expenses in 2013.

Only ICICI Bank met the requisite amount for CSR in 2017 despite the new legislation requiring businesses of this size to dedicate 2% of pre-tax profit to the initiative. However, it decreased to 1.9% in 2018. In 2018, Kotak Mahindra Bank's pre-tax profits were distributed to corporate social responsibility at a rate of less than 0.69%.

None of the banks acknowledged any penalties or legal actions for breaching the legislation, even though they did not reach the targeted CSR expenditure level. Australian banks disclosed the most during this time frame (2012–2018), followed by banks in Japan, China, and India. Since the new regulation was established in 2013, there has been a slight variation in the disclosures made by Indian banks. However, these variations might result from various cultural contexts as well as non-market variables.

Moment to Change India's CSR Policy Has Come

Our analysis and research show that the law's current framework does not effectively promote corporate social responsibility (CSR) initiatives. Its poor design, unclear responsibilities, and flawed legal system all contribute to the lack of an ethical need to follow the letter of the law.

It's time for legislative reform, according to our results, which policy makers can use to their advantage. In addition, we want to create policies for enforcement, promote moral behaviour, and inform business leaders and CEOs of their legal obligations and the benefits of CSR. The goal of the law is undermined by India's vague and open-ended legal regulations, which permit a considerable deal of self-interpretation.

For instance, in CSR, it enables the banks to include "staff training in fire safety" a though it must be non-negotiable work-environment safety requirement.

Conclusion

The CSR annual reports of Indian banks present no discernible change in the kinds of disclosures issued post-2013. The current law may only be expressive given that it is founded on the comply-or-explain concept and imposes light penalties for non-compliance. This makes enforcing the law much more difficult for citizens of India, a nation plagued by high levels of corruption, low public trust, inadequate development and education, unstable institutions, and other problems.

Furthermore, it appears that the regulations were formulated based on the widely held belief that senior management bears exclusive responsibility for ethical behaviour and corporate social responsibility (CSR) endeavors, while leaving out the connection between the company and its principal owners.

It remains ambiguous as to the way in which the CSR clause aligns into the bigger picture of a company's goals, roles, the responsibilities assigned to its board, and the details it must release. It will neither encourage CSR or force businesses to interact with stakeholders more unless the law is more specific, supported by strong enforcement, and imposes consequences for non-compliance. Section 135 will add needless obstacles on compliance and is nothing more than a stealth tax.

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