

General Studies – 2 Topic: Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Corporate Social Responsibility (CSR) in India

1) Introduction

- It's been four years since the corporate social responsibility (CSR) legislation has been in effect in India.
- Policy reform to promote some form of mandatory corporate social responsibility (CSR) was initiated through the Companies Act, 2013.
- The act mandated companies and government organisations with a turnover of Rs1,000 crore, a net worth exceeding Rs500 crore or having more than Rs 5 crore in net profits, to set aside 2 per cent of their average net profits for CSR activities.
- It has the potential to transform the relationship between business and society.

2) Importance of CSR

- Corporate social responsibility gives a chance to the organization to contribute towards the society, environment, country and so on.
- It goes a long way in creating a positive word of mouth and brand building for the organization on the whole.
- Research shows that a strong record of CSR improves customers' attitude towards the company.
- It also gives employees a feeling of unparalleled happiness.
- Companies that maximize their social responsibility potential foster innovative and creative employees.
- Employees are able to professionally and personally develop as a result of corporate social responsibility.
- If the company is engaged in CSR programs it attracts foreign investment and helps the country to get valuable foreign exchange.

3) Present Status

- There has been a marked increase in overall CSR spending with the bulk of the funding going into education and health.
- An average of Rs 12,000 crore finds its way into the CSR fund annually in India.
- States like Maharashtra, Karnataka, Rajasthan and Gujarat receive the largest chunk of CSR funds.
- Significant number of companies are surpassing 2%.
- Companies have adopted different methodologies in planning and implementing CSR interventions.
- Most companies associate themselves with not-for-profit agencies and social enterprises in implementing CSR projects.

4) Concerns / Challenges

- The Ministry of Corporate Affairs (MCA) has observed that among the 5,097 companies that have filed annual reports till December 2016, only 3,118 companies had made some contribution towards CSR expenditure.
- During FY 2014-15, 3,139 companies had spent 74% of the prescribed CSR expenditure — most were to the Prime Minister's Relief Fund.

- There has been very little strategic thinking and innovation in the CSR where corporations can play a leadership role in contributing to society.
- This also shows that companies in India have generally not understood the larger goals of CSR, viewing it more as a charitable endeavour.
- More industrialised states are winning over poorer, more remote regions where development aid is acutely needed.

5) Way Forward

- Structuring CSR funds to support government welfare schemes will make a huge difference.
- Need to learn how CSR funds are used effectively in different countries.
- The existence of fraudulent organisations that channel CSR funds to promote fake projects should be checked.
- Ministry of corporate affairs must incentivise companies to encourage employees to provide technical assistance for those non-profits organisations receiving grant support.
- Employee time should be included toward a company's 2% commitment.
- A combination of both financial and technical resources will enhance the impact of a company's donations.
- One way to enable companies to take-up CSR initiatives could be a nudge by conscious investors/shareholders where they insist that before investing in companies they want to see the interventions that companies are taking for communities and environment.
- Another could be a boost, which can be in the form of support by the government where it encourages and appreciates Indian companies already investing in such initiatives.
- All stakeholders of the companies need to re-look at CSR as a vertical that can and will contribute to the welfare of all stakeholders and will add value to the bottom line.
- It is this change in mindset that can ensure long-lasting impact on both the business and society at large.

6) Conclusion

- CSR initiative is such a progressive policy.
- We need to learn from this experiment and put in some useful fixes to make it even more effective and impactful.