



Corporate Social Responsibility in India: Challenges and Opportunities

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ABSTRACT

This paper delves into Corporate Social Responsibility (CSR) in India, with a focus on the challenges and opportunities. It highlights major challenges such as resource allocation, scepticism and trust issues, compliances and reporting, diverse socio-economic landscapes, navigating complex regulatory framework and the integration of CSR. These issues can obstruct effective CSR implementation and affect overall business performance. On the flip side, the paper also underscores notable opportunities in the CSR arena such as increasing consumer awareness, addressing issues such as climate change, health, and partnering with NGOs and social enterprises. Moreover, CSR initiatives can drive sustainable development, address social inequalities, and contribute positively to environmental conservation.

Further, the paper seeks to mitigate the current challenges centred on CSR by foregrounding more on the wide range of opportunities, simplifying regulations, aligning CSR efforts with business objectives, and ensuring consistent implementation. Since the CSR plays an integral and impactful role toward shaping the socio-economic scenario of India, the purpose of the paper is to provide an understanding of how Indian companies can utilize CSR to achieve long-term success and make a societal impact.

Keywords: Corporate Social Responsibility, India, Challenges, Opportunities, CSR Practices, Business Strategies.

Introduction

Corporate Social Responsibility (CSR) is a business management concept that helps companies be accountable to society and stakeholders. It has gained popularity in recent years, with continuous changes in its form and functions over time. In the 1950s, CSR focused on businesses' responsibilities towards society and doing good deeds. The 1960s saw CSR playing a key role in social change, while the 1970s saw the integration of management work with CSR. By the 1980s, companies had started becoming more accountable to their stakeholders. In the 1990s, the idea of CSR gained universal acceptance. In the 2000s, multinational companies like Wells Fargo, Coca-Cola, Walt Disney, and Pfizer incorporated CSR into their business processes, making it a strategy for many organizations. Corporate Social Responsibility (CSR) has evolved, with significant changes in its form and function. It began in the 1950s with a focus on societal responsibilities, and by the 2000s, multinational companies integrated CSR into their business processes. The impact and changes in CSR have influenced business management, adapted to societal and stakeholder needs, and shaped company strategies. This evolution highlights the current significance of CSR and its role in shaping the future of business management and accountability.

The term "corporate social responsibility" was officially coined in 1953 by the American economist Howard Bowen in his publication "Social Responsibility of the Businessman" (Bowen, H. R., 1953). The World Business Council on Sustainable Development defines corporate social responsibility as a business's commitment to behave ethically, contribute to economic development, and improve the quality of life of the people, their families, the local community, and society (Lord Holme and Richard Watts, 2000). The concept of social responsibility is originally derived from ethics and is related to the spirit of human welfare. It emphasizes social aspects directly related to the quality of social life and its impacts. The duty that business organizations have towards society is called corporate social responsibility. The social responsibilities of business can be broadly divided into four parts: economic responsibility, legal responsibility, moral responsibility, and discretionary responsibility. Businesses need to earn profit without harming society. Some activities, such as misleading advertisements and environmental pollution, can damage a company's image. Through effective management and strategic planning, businesses aim to enhance their public image.

Corporate Social Responsibility (CSR) has garnered attention from social scientists in recent years. It denotes a long-standing tradition of

corporate involvement in public welfare work, with its paradigm shift over the past 20 years due to the interconnected relationship between the company, the state, and society. Companies now prioritize public goodwill over just pursuing profits (Raynard and Forstater, 2002).

Development of CSR in India

The concept of Corporate Social Responsibility (CSR) in India has been present for a long time. In ancient times, it was known as charity, and philanthropy was prominent during the Gupta period (320 to 550 AD), with emperors donating a significant portion of the treasury for welfare. Indian philosophers such as Kautilya, as well as Western philosophers before the Christian era, advocated for ethical business practices. Before industrialization, up to 1850, traders allocated a portion of their wealth for religious purposes by constructing temples (Garg, 2014). Philanthropy gained momentum at the beginning of the 19th century, and industrial houses of that time were involved in charity and social initiatives. In India, industries like Tata, Birla, Godrej, and Singhania began participating in charitable work. Mahatma Gandhi's idea of trusteeship was a source of inspiration (Jaiswal and Saha, 2015). The globalization era brought about the formalization of CSR, and India, as a developing country, has great potential for CSR to contribute to sustainable development. Gandhi also emphasized the importance and responsibility of CSR, stating in the Indian Merchant Chamber that industry and trade should fulfil various responsibilities towards the community (Gupta, 2013).

The Companies Act 2013 has a significant role in making central and public sector enterprises accountable in India. The Act provides guidelines for central and public sector undertakings. In April 2014, India became the first country to make corporate social responsibility (CSR) mandatory after amending the Companies Act 2013. The provisions in the Act apply to companies with an annual turnover of Rs 10,000 crore or more, a net worth of Rs 500 crore or more, or a net profit of Rs 5 crore or more (<https://www.dpncindia.com/corporate-social-responsibility-under-section-135-of-companies-act-2013>).

The Companies Act 2013 in India makes corporate social responsibility (CSR) mandatory for companies meeting certain financial criteria. It requires forming a CSR committee, spending 2% of the average net profit on CSR, and listing acceptable activities. This includes initiatives to eliminate hunger, promote education, improve maternal and child health, ensure environmental sustainability, support the armed forces, promote sports, preserve national heritage, aid the Prime Minister's National Relief and support the Scheduled Castes and Tribes.

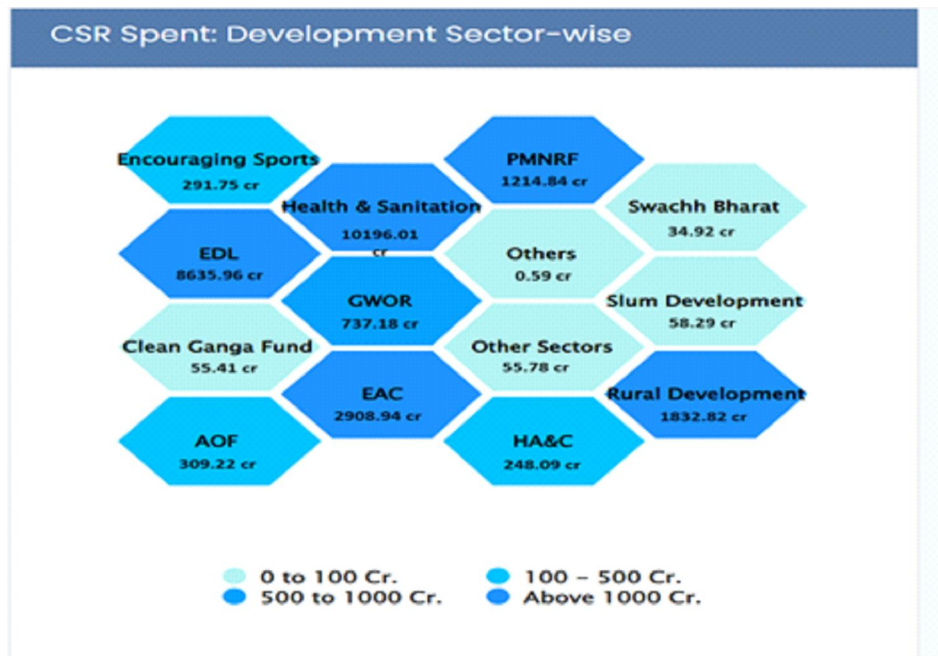


Diagram 01: CSR Spent: Development Sector-Wise

Source: <https://www.mca.gov.in/content/csr/global/master/home/home.html>

An analysis of the above diagram clearly shows that the sectors with maximum CSR expenditure are Rural Development, Environment, Animal welfare, conservation of Resources (EAC), Education, differently abled, livelihood (EDL), Health Sanitation, Prime Minister National Relief Fund (PMNRF) with more than 1000 crores while the sectors with lowest CSR expenditure between 0 to 100 crore are Clean Ganga fund (CGF), Swachh Bharat (SB), Slum Development (SD), and others which include Technology Incubator, benefits to armed forces and admin overhead.

Current Scenario of CSR in India

As of 2024, India’s Corporate Social Responsibility (CSR) landscape is evolving to align with broader socio-economic trends, regulatory updates, and stakeholder expectations.

Recent updates to the CSR regulations focus on improving transparency, accountability, and effectiveness. For example, new guidelines address the management of unspent CSR funds and require more detailed disclosures.

The Indian government promotes CSR through various initiatives and partnerships, focusing on key areas like sanitation (Swachh Bharat Abhiyan), healthcare (Ayushman Bharat), and education.

Table 1: CSR Spent Top 10 Companies: 2021-22

S.No.	Company Name(s)	Amount (INR Cr.)
1.	Reliance Industries Limited	812.33
2.	HDFC Bank Limited	722.99
3.	Tata Consultancy Services Limited	719.92
4.	Oil And Natural Gas Corporation Limited	436.19
5.	NTPC Limited	356.71
6.	Infosys Limited	344.47
7.	ITC Limited	333.38
8.	NMDC Limited	287.33
9.	Indian Oil Corporation Limited	284.03
10.	ICICI Bank Limited	266.52

Source: <https://www.mca.gov.in/content/csr/global/master/home/home.html>

It is clear from the above table no-1 that among the top 10 companies spending on CSR, the maximum expenditure on CSR has been spent by Reliance Industries Limited, HDFC Bank Limited, Tata Consultancy Services Limited.

In the present times, it is noteworthy to observe that there have been some shifts with regards to trends and priorities in the CSR domain. The changes can be distilled down to six major ones that have occurred overtime. Firstly, companies now are shifting focus on efficiency and efficaciousness of their CSR initiatives. Simultaneously, many companies are also employing the usage of data-driven models and techniques to assess the outreach and outcomes of their initiatives.

Secondly, many companies are focusing on the merger of their business strategies alongside their CSR initiatives as they believe that by doing so, they would concomitantly be able to address the social issues at hand whilst also allowing them to enhance their brand value and increase loyalty of customers.

Thirdly, sustainability and environment are gaining traction as it has turned out to be an important thrust area. In keeping with the values of sustainability, companies these days are eager to invest in environmentally friendly technologies and renewable sources of energy.

Fourthly, companies are opting for the extensive usage of digital tools and platforms to boost the reach and efficacy of their CSR initiatives, more particularly in initiatives pertaining to educational and healthcare sectors.

Fifthly, companies are increasingly focusing on areas like diversity, equity and inclusion in their CSR initiatives. Simultaneously, many companies are also keen on addressing issues concerning gender equality, fostering inclusion for all and proffering support for the underrepresented and marginalised communities.

And lastly, companies are also forging collaborations with civil society organizations like NGOs, other allied social enterprises and similar government agencies to build partnerships for collective expertise which would in turn be useful for dealing with complicated social issues.

Challenges

Despite the progress and advances made by the CSR in India, several challenges and problems persist that can profoundly affect efficaciousness and efficiency of the initiatives. By understanding and addressing these challenges, corporate sectors can optimise and streamline their CSR strategies and contribute to India's sustainable development. Some major domain fields with regards to CSR challenges are enumerated as follows:

Compliance and Reporting: Ensuring compliance with CSR regulations and maintaining transparency in reporting are increasingly crucial and challenging aspects of Corporate Social Responsibility (CSR) management. Companies must navigate a complex landscape of regulations and standards, and their ability to effectively manage these requirements is fundamental to their CSR success. Compliance and reporting are critical aspects of CSR that require careful attention to regulatory requirements, genuine commitment, transparency, and stakeholder engagement. By effectively managing these challenges, companies can not only meet legal obligations but also reinforce their reputation and build stronger, trust-based relationships with their stakeholders. Top of FormBottom of Form

Scepticism and Trust Issues: Scepticism often comes into play when assessing authenticity of CSR efforts, with concerns that they may be more about boosting corporate image than addressing genuine social issues. Companies often face challenges in proving that their CSR activities are sincerely intended to benefit communities. Building trust requires transparent, impactful actions that align with the company's stated values and goals.

Resource Allocation: Effective CSR initiatives require significant investment in financial, human, and technical resources. Companies often struggle to allocate these resources adequately due to competing

business priorities. Ensuring sufficient support for CSR efforts is essential for their success, as it involves balancing budget constraints and operational demands while maintaining a genuine commitment to social responsibility.

Table No. 2: CSR Expenditure

CSR Expenditure	Fy 2021-22	Fy 2020-21	Fy 2019-20	Fy 2018-19	Fy 2017-18
Total No. of Companies	19888	20840	22985	25181	21525
Total amount spent on CSR (INR cr.)	26579.78	26210.95	24965.82	20217.65	17098.57
States & UTS Covered	40	39	38	39	39
Total No. of CSR Projects	44425	39324	35290	32071	26585
Development sectors	14	14	14	14	14

Source: <https://mca.gov.in/content/esr/global/master/home/home.html>

The analysis of the above table no-2 shows that the number of CSR projects has increased from FY 2017-18 to FY 2021-22, but conversely, the number of companies investing on CSR activities has decreased post FY 2019-20. Also, the total amount spent on CSR has only increased marginally after FY 2019-20.

Diverse Socio-Economic Landscape: India's socio-economic landscape is marked by profound diversity, with significant disparities in wealth, education, and resource access across various regions. This wide range of conditions makes it challenging for companies to create and execute CSR programs that are equally relevant and effective across different areas. Tailoring initiatives to address local needs while ensuring broad impact requires a nuanced approach and deep understanding of regional contexts.

Regulatory Framework: India's CSR policy, established under the Companies Act of 2013, provides clear guidelines, but navigating this regulatory framework can be intricate. Companies must carefully follow these regulations while ensuring their CSR initiatives meet both legal requirements and local needs. Balancing compliance with diverse regional expectations requires a thorough understanding of the regulations and a strategic approach to align initiatives with both legal standards and community priorities.

Implementation and Impact Measurement: Effectively implementing CSR initiatives and accurately measuring their impact pose significant challenges. Companies frequently encounter difficulties

in monitoring and evaluating the outcomes of their CSR programs, which can undermine their effectiveness and sustainability. Without robust systems for tracking progress and assessing results, it becomes challenging to gauge the true impact of these initiatives and make informed adjustments to improve their overall success.

Stakeholder Engagement: Engaging with a range of stakeholders, such as local communities, NGOs, and government bodies, presents significant challenges. Companies must navigate diverse interests and expectations, which requires careful balancing and effective communication. Successful stakeholder engagement involves actively listening, addressing concerns, and fostering collaboration to ensure that all parties' needs are met. This approach helps build trust and support, essential for the success of CSR initiatives.

Cultural and Regional Differences: India's vast cultural and regional diversity presents challenges for implementing uniform CSR strategies. Initiatives that succeed in one region might not resonate in another due to varying local customs, needs, and socioeconomic conditions. Companies must invest in extensive research and adapt their approaches to align with these regional differences, ensuring that CSR programs are relevant and effective in addressing issues specific to local contexts and challenges.

Capacity Building and Collaboration: Many NGOs and community organizations in India may struggle with limited resources and capacity, making it difficult to form effective partnerships with companies. To ensure the success of CSR programs, companies must invest in building the capabilities of these organizations. This involves providing training, resources, and support to enhance their operational effectiveness and foster strong and collaborative relationships that drive meaningful and impactful outcomes.

Sustainability and Continuity: Ensuring that CSR initiatives remain sustainable and continue to deliver value beyond their initial investment poses a significant challenge. Programs must be crafted with a focus on long-term impact, which involves not only securing initial funding but also committing to ongoing support and adaptation. This includes regularly evaluating the effectiveness of initiatives, responding to evolving community needs, and maintaining stakeholder engagement to ensure enduring benefits and continuous improvement.

Overcoming these challenges demands a strategic approach that includes in-depth research, active stakeholder engagement, and a steadfast commitment to generating authentic and lasting social value.

Opportunities: Indian society is known for its diversity, intricacies, nexus of caste and class, developmental asymmetries across rural and urban regions, deep economic disparities, income and gender inequalities and geographical regions prone to environmental and ecological catastrophes. Due to such myriad variances, corporate sectors can make meaningful interventions and impact via CSR to address the multiplicities of socio-economic issues and concerns currently plaguing the Indian society.

Albeit the solutions to proffer timely and requisite interventions for the said social problems are many, the following section delves and discusses some select yet vital opportunities and way forwards that corporate sectors in India can implement and follow through to make a positive impact to the Indian society—

Rural and Undeveloped Community Development: Despite the strides of modernization and urbanization, contemporary India still is largely represented by its rural preponderance and its reliance on agrarian economies. Because of this scenario, India continues to have opportunities pertaining to rural-community development, including multiple facets of development viz. enhancing infrastructure, access to education, healthcare, and sanitation. Companies can engage in projects that proffer opportunities of growth and facilities which will improve the quality of life for underserved rural communities. Additionally, the companies can also engage in building goodwill and fostering strong community relationships.

Emerging Issues: Tackling new social challenges like mental health, climate change adaptation, and digital literacy presents fresh opportunities for CSR involvement. These areas offer companies the chance to engage in impactful initiatives that address pressing societal needs and contribute to broader positive change.

Consumer Expectations: With rising consumer demands for corporate accountability and social responsibility, companies have a prime opportunity to enhance their stakeholder relationships. By actively participating in meaningful CSR activities, businesses can demonstrate their commitment to ethical practices and social impact. This proactive approach not only meets consumer expectations but also fosters trust, loyalty, and stronger connections with both customers and other stakeholders.

Sustainable Development: As the emphasis on sustainability intensifies, companies have a valuable opportunity to invest in initiatives such as environmental conservation, renewable energy, and sustainable business practices. These investments not only contribute to the

preservation of natural resources and reduction of environmental impact but also align with global trends towards greener and more responsible business operations. Embracing sustainability helps companies enhance their reputation, attract eco-conscious consumers, and stay competitive in an evolving market.

Skill Development and Employment Generation: In India, there is a pressing need for skill development and vocational training to improve employability. CSR initiatives can play a crucial role by implementing training programs that equip individuals with marketable skills and creating job opportunities. Such efforts not only address skill gaps in the community but also help companies build a strong talent pipeline, benefiting both the workforce and the company's future growth.

Healthcare and Well-being: Enhancing healthcare infrastructure and expanding access to medical services are vital needs in India. Companies can make a significant impact by organizing health camps, constructing healthcare facilities, or supporting health education programs. These initiatives not only address urgent health needs and improve community well-being but also demonstrate the company's commitment to social responsibility and contribute to the overall improvement of public health in underserved areas.

Education and Literacy: Investing in education is a crucial driver of long-term societal progress. CSR initiatives can support this by funding schools, enhancing educational programs, providing scholarships, and advancing adult literacy projects. These efforts address educational inequities, improve access to learning opportunities, and help cultivate a more informed and capable future generation, thereby fostering broader societal development.

Innovation and Technology: Companies can utilize their technological expertise to drive innovation in crucial areas like digital literacy, e-governance, and technology-based solutions for social challenges. By developing and implementing tech-driven initiatives, businesses can enhance community access to digital resources, improve government services, and address pressing social issues. This approach not only provides significant benefits to communities but also highlights the company's role as a leader in technological advancement and social impact.

Partnerships with NGOs and Social Enterprises: Collaborating with NGOs and social enterprises can significantly enhance the impact of CSR initiatives. These partnerships offer valuable access to local knowledge, specialized expertise, and established networks, which

improve the effectiveness and reach of the projects. By leveraging these resources, companies can ensure their CSR efforts are more impactful and better tailored to the needs of the communities they aim to support.

Government and Policy Alignment: Aligning CSR initiatives with government priorities and policies can create valuable synergies and garner support. In India, the government actively promotes CSR by offering various incentives, recognition programs, and policy frameworks that encourage corporate participation in social and environmental issues. By aligning with these governmental goals, companies can benefit from supportive partnerships, enhance the impact of their initiatives, and gain recognition for their contributions to societal development.

Empowering Women and Marginalized Groups: Focusing on gender equality and the empowerment of marginalized groups presents a significant opportunity for CSR initiatives. Companies can address critical issues by implementing programs that promote women's empowerment, enhance the inclusion of persons with disabilities, and support other disadvantaged communities. Such initiatives can provide access to education, economic opportunities, and social support, fostering greater equality and helping uplift these groups in a meaningful and impactful way.

Conclusion

To conclude, CSR in India presents a vibrant yet challenging landscape with both notable obstacles and significant opportunities. Companies face hurdles such as complex regulations, diverse socio-economic conditions, and the need for effective impact measurement. These challenges also open avenues for driving substantial social change, enhancing sustainability, and aligning CSR efforts with business objectives. By tackling compliance issues and scepticism, while leveraging impactful partnerships and innovative solutions, companies can effectively navigate this evolving landscape. Moreover, recent trends with regards to company wise prescribed CSR compliance sourced from the National portal of Ministry of Corporate Affairs, the number of companies falling under the index- 'zero spent' has gradually declined from FY 2018-19 to FY 2022-23. The data indicates a positive shift wherein more companies are investing in CSR related activities. Further, under the index- 'more than prescribed', the data evidently shows the upsurge of companies that are keen on spending and allocating their funds on CSR activities. But on the flipside, for the index- 'less than prescribed', the data demonstrates irregularities as

there is no clear trend. From FY 2017-18 to 2018-19, the data showed a dip in the total number of companies not adhering to the prescribed CSR compliance, whereas from FY 2019-20 to FY 2021-22, the data showed a slump with regards to less than prescribed translating as a positive indicator or a surge of companies investing more in CSR activities. However, for FY 2022-23, a sudden increase in the number of companies investing less than prescribed grew by a substantial number (<https://www.mca.gov.in/content/csr/global/master/home/home.html>)

The aforesaid data represents one of the many notable challenges for CSR related activities in India but the irregularities with regards to CSR compliance can be mitigated by stringently enforcing the existing Company Acts 2013. Simultaneously, government bodies should also monitor and scrutinize company engagements with reference to their CSR commitments. Furthermore, the companies can also meaningfully contribute towards the development of rural and undeveloped communities by investing in sectors such as healthcare, skill development, education, empowerment of women and marginalised groups, and build fruitful collaborations with social enterprises and civil societies. Also, it is necessary to integrate CSR into business practices not only to advance societal development but also create long-term value, proving that responsible corporate behaviour and business success are mutually reinforcing goals.

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