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CORPORATE SOCIAL RESPONSIBILITY: AN ANALYSIS

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Abstract

India is a developing country where businesses connected to the telecom sector, fundamental equipment, etc., essential for a company or society to run, are in the early stages of development. Yet, industrial growth had undergone a radical transformation since many nations began to connect and converse with one another in 1991 when it was opened to the globe. Foreign businesses were permitted to conduct business there and invest in various regions of the nation. There will be a significant rise in the contest in the domestic market when the government permits big companies. Every firm tries its hardest to establish itself in the market. They work for money, and money has become the most fundamental demand for the businesses that operate in the nation. However, individuals who use a product or service become more and more conscious of and grasp various things happening around them as time passes and reading and writing skills rise. As a result of these developments, a new concept known as corporate social responsibility, or CSR, has emerged and gained visibility in the marketplace. Every firm now claims to uphold this commitment. For the country's economic and social development, we will carefully examine how this concept is applied in India and the extent to which companies are adopting it. It will determine the value of CSR, the actions big companies engage in under CSR, and the results, impacts, and convergence of these efforts.

Keywords

Analysis of CSR, CSR, India, CSR in India, Companies

Introduction

Corporate Social Responsibility (CSR) refers to the idea that businesses should voluntarily work to improve society and the environment. Companies should incorporate social and other beneficial concerns into their daily operations to benefit their stakeholders and the community.

CSR is based on the principle that companies should give back to society as they prosper and grow. Businesses draw resources from the community through raw commodities, human resources, etc. Businesses are contributing to society by engaging in CSR activities. CSR is neither charity nor merely giving money, as is frequently believed. CSR is a business method that enables corporate organizations to benefit society directly.¹ There are four primary categories of corporate social responsibility:

- **Economic Responsibility**

The act of making financial decisions based on a commitment to doing good is referred to as economic responsibility. Investing in renewable energy resources, increasing financing for educational initiatives, and supporting regional charities to advance their missions are typical examples of economic responsibility.

- **Philanthropic Responsibility**

"Philanthropic responsibility" describes a company's purposes, objectives, and goals for improving society. Donating funds from business profits to deserving causes in the neighborhood is a significant component of philanthropic responsibility; this usually takes the form of a trust or foundation.

- **Ethical Responsibility**

A company's commitment to conducting business ethically that upholds human rights principles, such as the equitable treatment of all stakeholders, fair trade practices, and equal compensation, is referred to as having an ethical responsibility. A company may, for example, define its own greater minimum wage if the one stipulated by the state or federal government is not a "livable wage."

- **Environmental Responsibility**

Environmental responsibility refers to a company's dedication to participating in sustainable economic development to improve the environment and quality of life, which will benefit the

¹ Corporate Social Responsibility Under Section 135 of Companies Act 2013, *available at:* <https://cleartax.in/s/corporate-social-responsibility> (Visited on March 11, 2023).

company, the local people, and society. This might entail minimizing the firm's carbon footprints or greenhouse gas emissions, choosing sustainable techniques by avoiding single-use plastics, and maintaining environmental considerations at the core of all activities.

Principles of CSR

It is challenging to define CSR and be confident in any such activity due to the confusion surrounding the nature of CSR activity. Hence, the ability to recognize such behavior is crucial. To encompass all CSR activity, it is necessary to take into account the following three guiding principles:²

- **Accountability**

A company must accept responsibility for the consequence of its acts and acknowledge that its actions impact the outside world. This is what accountability is all about. This principle suggests that the impact of internal and external decisions on the organization can be quantified. A reporting of such quantifications to all parties impacted by those activities is what the principle, in more detail, suggests. This denotes a reporting of the results of organizational actions and how they affect the roles of the stakeholders to external stakeholders. As a result, this principle suggests that the organization understands that it is a component of a more extensive social network and that it owes obligations to everyone in it, not just the owners.

As a result, accountability calls for creating acceptable measures for environmental performance and reporting organizational activities. Developing, tracking, and reporting such performance requires expenses on the part of the company. Advantages must be assessed based on how well the chosen metrics will aid in allocating resources and how well they will aid decision-making operations. It occurs between the organization and its various stakeholders and within the organization.

- **Sustainability**

Sustainability is concerned with the influence that actions taken into account in the present have on the possibilities that are accessible in the future. Resources become useless in the future if

² David Crowther and Guler Aras, *Corporate Social Responsibility* 14-16 (David Crowther, Guler Aras and Ventus Publishing ApS, 2008).

they are used up now. If the resources are limited, this principle should be taken seriously. Hence, the supply of raw resources with an extractive character, like coal, iron, or oil, is limited, and once they have been utilized, they are no longer usable. As a result, alternatives will be required in the future to implement the features these resources offer. These resources are employed by companies engaged in production and manufacturing.

Considering an organization as a component of a more extensive social and economic system implies that these impacts must be considered, not only for calculating the cost and value generated in the present but also for the company's long-term viability. The pace at which resources may be replenished would be considered in sustainability measurements. Unsustainable activities can be accommodated by creating and implementing sustainable operations or making plans without the needed resources. In reality, businesses often strive to use resources more efficiently to reduce their level of unsustainability. An illustration might be a campaign for energy efficiency.

- **Transparency**

CSR is a broad principle that generates a range of viewpoints and may be seen in many different contexts. When the stakeholders within and outside the business are involved in decision-making activities or creating rules and measures for the goodwill and welfare of the organization and its members, they must ensure that members understand them. Members can adhere to these rules effectively if they are made apparent to them. The execution of tasks and activities must also reflect transparency.

According to the transparency principle, important facts should not be omitted from reporting, and the organization's activities should be understood in terms of their influence on the outside world. Because of this, everyone should be able to see how the organization's actions affect everyone else by using the data supplied via its reporting tools. Transparency is vital as external consumers of this information need to become more familiar with the underlying knowledge and context internal users have access to.

CSR in India

Within an amendment to the Companies Act 2013, in April 2014, India became the first nation in the world to mandate corporate social responsibility (CSR). As part of any CSR compliance, businesses might allocate a portion of their profits to causes, including hunger, poverty, gender equality, and education. CSR in India has traditionally been viewed as a charitable contributions activity. In keeping with Indian culture, it was a task completed without consideration. Thus, there needs to be more documentation to back up claims about specific actions related to this theory. As some onlookers have noted, the practice of CSR in India still falls under the umbrella of donating money to charitable organizations. Still, it has transitioned from institutional construction, research, education, and culture to community development through various aspects.

Additionally, there is a noticeable trend/general direction of things. At the same time, CSR primarily focuses on community development and is becoming more closely linked with business than charitable giving. Many companies are disclosing the activities they are carrying out in this area in their official reports, and thus global influences and communities have become more active and demanding. The Companies Act of 2013 brought the concept of CSR to light. The CSR activities listed in Schedule VII of the Act emphasize that communities should be the main focus.

On the other hand, the draught rules suggest that CSR must go beyond communities and donate money to charities by discussing a company's relationship with its customers who are interested in a project or business and combining different things. Hence, they work as one unit CSR in its core operations. How this will transfer into action on the ground and how the perception of CSR is expected to alter will be exciting to observe, note, applaud, and obey. According to the 2001 State of Related to Big Business Responsibility in India Survey, organized and conducted by the Tata Energy Research Institute (TERI), CSR in India has improved over time by following a time-based improvement over time of various thinking techniques.³

Case Study – AMWAY and UNICEF

³ Corporate Social Responsibility in India, available at: <https://www.india-briefing.com/news/corporate-social-responsibility-india-5511.html/> (Visited on March 13, 2023).

Amway is one of the most well-known direct sales organizations with over 3 million independent business owners IBOs, and operations in 80 countries. It is a family-owned company that has close ties to numerous international families. As a result of Amway's collaboration with UNICEF for the well-being of children as part of its significant corporate social responsibility efforts, the families purchasing its products are happier than its partners. They work to enhance and develop children's lives all across the world. UNICEF, the United Nations Children's Fund, strives to improve the health, education, and safety of children around the world in various nations. This kind of organization is entirely reliant on the assistance provided by voluntary, but not required, bodies. And Amway is performing/completing the task associated with large-scale corporate social responsibility in this effort to raise money for underprivileged youngsters. It has provided a model for how a business might uphold its social duty. Amway assisted UNICEF in 2001 by generating money for disadvantaged children worldwide. The phrase "One by One" became synonymous with this action. Amway raised money in 2005 for the Asian tsunami crisis.

This produced a test result for several businesses. Amway began a one-by-one series of initiatives in 2003 intending to help kids enjoy better lives. One-by-One was a program that:

1. The corporation upholds the cause.
2. Fosters customers' confidence and respect.
3. Establishes a high bar for corporate social responsibility for other businesses.

Amway consistently encourages its employees and Independent Business Owners to donate money to one-by-one social causes. Amway Europe has been an official UNICEF partner since 2001. Amway previously used a variety of sources to raise money, including:

1. Donations from various entities connected to significant corporations.
2. Contribution from the company's employees.
3. Contribution from IBOs.
4. UNICEF greeting cards are sold.

Amway is an excellent model to follow since it works for social causes worldwide on its own, without being required to do so by the government, and by doing so, it has gained the truth of

those who use its products and services.⁴ However, a key drawback in developing nations like India is that only some firms satisfy CSR requirements.

Challenges of CSR in India

- **Community Involvement**

There is a need for more community involvement in CSR activities as it has been observed that the communities stand to gain less interest whenever a company or organization makes an effort to start doing something.

- **The Problem of Transparency/Open Honesty**

There needs to be a controlling authority to monitor how much money is spent on CSR initiatives. Hence, no law of any kind is available or covered.

- **Own Benefit**

In general, big firms parts of India work for CSR only to avoid paying taxes that are assessed and collected by the government on them because it has been seen, heard, or learned that the funds that big businesses will raise for the CSR activity would be separated and labeled as tax-free. As a result, many significant business parts of India work on this justification when acting or speaking.

- **CSR Review**

To achieve the desired outcome, it is necessary to determine the worth, number, or quality of the policies being developed and implemented. A CSR activity's impact on a community of people, all decent people worldwide, or a targeted group must be carefully studied by the organization that invested in it. But, the scene/situation in India is dim/challenging to comprehend. Businesses must invest money in CSR initiatives for their benefit and to be widely discussed on TV, the internet, etc. Still, the long-term advantage of CSR needs to be considered.

- **Ability to Hold or Perform**

⁴ The Hindu Survey of Indian Industry, *A Successful Indian Model* (Raju SS, 2011).

Companies need more technical know-how and skilled labor to create efficient CSR practices. This is required to develop effective CSR policies and success plans/methods of achieving objectives. The cost incurred for CSR is closely related to the development of CSR policy.

- **Social Responsibility is Not Just a Concept Concerning Large Companies**

Big business must realize that CSR is not just something they have to do and add/give money for or in almost the same other ways; instead, it should take into account social, environmental, and money-based factors, and big business needs to look at it from the point of view of giving money to charities.

Suggestions

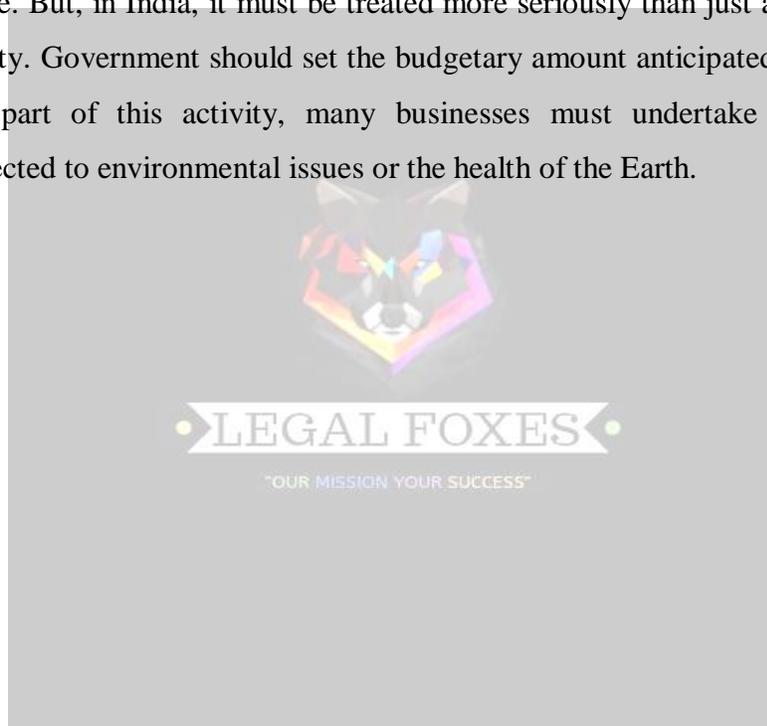
Companies can work on various CSR-related issues that affect the community of people or all decent people worldwide. In an ideal world, companies would not and should not undertake CSR initiatives independently if worker cooperation and contributions were lacking. Encouragement should be given to those interested in a project or company to contribute to or provide for the promotion of CSR activities. To promote knowledge and comprehension about anything in this portion or area, meetings to discuss things/meetings together, school courses, seminars, and training sessions should be controlled and done by different firms. Reviewing the current policies established by various firms and using them must also be done in a way that allows for the achievement or acquisition of the intended outcome via effort.

Creating new, cohesive communities of individuals and organizations with a social mission is necessary. Such organizations will concentrate on particular concerns, like clean water, keeping things clean and disease-free, child and mother-based health, and so forth, and will primarily rely on tied to large companies rather than donor money. This leads us to our final point, i.e., lawmakers must foster the circumstances necessary for such organizations' formation, expansion, and success. The CSR provision in the Indian Companies Bill is the first for an effective system of people producing, marketing, and consuming goods. It is unlike anything else in the world. People who express opposing views or opinions may perceive it as a 2% tax, but that will only be the situation if we miss this excellent opportunity to establish a new standard for how

businesses can make a genuine contribution to the community of people and all good people in solving the world's most pressing issues.⁵

Conclusion

A new visible activity, social responsibility, is still in its infancy but is expected to gain momentum in the years to come. Although the Government of India's Companies Bill is a commendable attempt to start things moving, it needs to be apparent how much money will need to be allocated to this activity by the various firms to set aside and distribute their budgets. CSR has gained recognition as a crucial concept for corporate performance and image enhancement on a global scale. But, in India, it must be treated more seriously than just a tiny amount of tax-beneficial activity. Government should set the budgetary amount anticipated to be spent on CSR initiatives. As part of this activity, many businesses must undertake social development initiatives connected to environmental issues or the health of the Earth.



⁵ James Barlow, Jens Roehrich and Steve Wright, "Europe Sees Mixed Results From Public-Private Partnerships for Building and Managing Health Care Facilities and Services" 32(1) *TDHC* 146-54 (2013).