Revisiting Corporate Social Responsibility

This editorial is based on **"A plan for better CSR funds to boost rural livelihoods"** which was published in The Hindu on 07/10/2022. It talks about Corporate Social Responsibility (CSR) and its potential for rural development.

For Prelims: Corporate Social Responsibility (CSR), Trusteeship, Gandhian Philosophy, Section 135 of the Companies Act, 2013, Hunger, Poverty and Malnutrition, Environmental Sustainability, Clean Ganga Fund, Non-governmental Organisations (NGOs), Artificial Intelligence, Machine Learning, Circular Economy.

For Mains: Activities Included under CSR Category, Challenges Related to CSR Activities in India, Linking CSR with Research Institutions and Sustainable Development Goals.

In developing economies like India, **Corporate Social Responsibility (CSR)** is seen as part of **corporate philanthropy** in which **corporations augment the social development** to support the initiatives of the government.

And in keeping with the Indian tradition, it was believed that **every company has a moral responsibility to play an active role in discharging the social obligations.**

In the early 20th century **Mahatma Gandhi** introduced the **concept of trusteeship** helping socio-economic growth.

India became the **first country to legislate the need to undertake CSR activities** and mandatorily report CSR initiatives under **Section 135 of the Companies Act, 2013**. But current CSR frameworks have some flaws, such as transparency, lack of community participation in CSR activities, and lack of timely audits.

In order to achieve sustainable development, **India should streamline its CSR framework** and focus on **collective betterment through shared responsibility.**

Which Companies Fall Under the Purview of Corporate Social Responsibility?

- A company whose turnover is at least **1,000 crores,** net worth is at least **500 crores**, or net profit is at least **5 crores** falls under the CSR provisions of the **Companies Act, 2013.**
- Under the Act, companies must set up a **Corporate Social Responsibility Committee** that recommends a Corporate Social Responsibility Policy to the Board and monitors the same.
- The Act also encourages companies to **spend 2% of their average net profit in the previous three years** on CSR activities.

What are the Activities Included under CSR Category?

- Specified under **Schedule VII of the Companies Act 2013,** some major activities include:
  - **Eradicating** hunger, poverty and malnutrition, promoting health care including preventive healthcare and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
  - Promoting education, including special education and **employment enhancing vocational skills** especially among children, women, elderly and the differently abled and livelihood enhancement projects.
  - Promoting **gender equality**, **empowering women, setting up homes** and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for **senior citizens and measures for reducing inequalities faced by socially and economically backward groups.**
  - Ensuring **environmental sustainability**, **ecological balance, protection of flora and fauna,** animal welfare, **agroforestry**, **conservation of natural resources** and maintaining quality of soil, air and water including contribution to the **Clean Ganga Fund** set-up by the Central Government for rejuvenation of river Ganga.

What are the Challenges Related to CSR Activities in India?

- **Shrinking Role of Government**: Governments used to deliver **social and environmental objectives in businesses through legislation** and regulation.
  - Due to **shrinking government resources and distrust of regulations,** voluntary and non-regulatory initiatives are getting explored.
- **Absence of Clear CSR Guidelines:** There are **no clear principles and directions about the CSR in India** and because of **lack of clear-cut statutory guidelines, t**he level of CSR depends upon the size of organisations, which means bigger the organisation, bigger the CSR programs.
  - This is also a **barrier for the small organisations** that want to contribute to this field.
- **Duplication of CSR Activities:** There is a lack of consensus amongst local agencies regarding CSR projects.
  - This **lack of consensus often results in duplication of activities** by corporate houses in areas of their intervention and **results in a competitive spirit between local implementing agencies** rather than building collaborative approaches on issue
- **Unavailability of Well-Organized NGOs:** Due to the lack of recognition of many **Non-governmental Organisations (NGOs)** in India, corporations have **limited options and benefits,** and they often partially fund **NGOs** in order to gain **visibility and brand recognition, not realising that CSR serves a more important purpose.**
  - Also, the **lack of well-organised NGOs** in remote and rural areas makes it **difficult to identify real needs of the community** and ensure successful CSR implementation.
- **Lack of Time Bound Audits:** The **lack of time-bound audits** causes many Indian companies to **not disclose information about CSR activities** they take part in, including funds used for the projects.
  - Also, as a result, **these companies fail to create a sense of belonging** and connect with society.

What Should be the Way Forward?

- **Regular CSR Compliance:** Companies should **conduct regular reviews of CSR compliance** and put in place **measures for a more professional approach.** They should also set clear objectives and align all stakeholders with them.
  - It is equally **important to let their NGO partners know of their business needs.**
- **Proactive Role of Government:** Governments should also **address the issue of non-availability of NGOs** and raise awareness about the **importance of CSR in society.**
  - **Artificial Intelligence and Machine Learning** tools can be used by the government to mine data from mandated reports in order to maintain regular audits.
- **Linking CSR with Research Institutions**: From Designing sustainable construction materials **that are affordable and recyclable,** to developing **India-centric greening options** like novel heat and power management systems.
  - Projects such as these can be enabled through CSR funding and led by higher education institutions that would accelerate the **transition from laboratory to actualisation and**

serve communities in innovative ways.

- **SDG with CSR:** With India prioritising and achieving **Sustainable Development Goals, NITI Aayog** has made this mainstream to the national agenda, and **now is the time to tie CSR and SDGs together.**
  - In this way, **India can improve accountability of CSR** at the same time moving towards green and sustainable growth.
- **Integrated CSR Interface:** A national platform, centralised by the **Ministry of Corporate Affairs,** is needed where all states can list their possible **CSR-admissible projects** so that companies can determine where their CSR funds would have the most impact.
  - **Corporate Social Responsibility Projects Repository on the** India Investment Grid (IIG) can serve as a guide for such efforts.
- **Replacing End of Life Concept with CSR:** Corporate social responsibility should replace **end-of-life concepts** for products with **technologies and regulations that facilitate recycling and reusing.**
  - In this way, the **life cycle of products can be extended, wastage can be minimised, and pollution reduced.** In line, India can transition towards a **circular economy.**
  - This can be an **attempt to realise the vision of a just, humane and equitable society where every action,** however small, is **driven by this larger sustainable vision.**

Drishti Mains Question

Describe how Corporate Social Responsibility can facilitate India to achieve Sustainable Development Goals.