



## Strengthening the CSR framework

This editorial is based on [“Strengthening the CSR framework is a profitable idea”](#) which was published in The Hindu on 07/10/2022. It talks about the current state of Corporate Social Responsibility in India and related issues.

**For Prelims:** Corporate Social Responsibility, Companies Act, 2013, Non-governmental Organisations (NGOs), Sustainable Development Goals, India Investment Grid (IIG), Saansad Adarsh Gram Yojana (SAGY).

**For Mains:** Activities Included under CSR Category, Main Challenges Related to CSR Initiatives in India, Circular Economy.

India has a long history of **individual and corporate philanthropy** and the concept of [Social Responsibility](#) has been **integral to Indian culture and value system** since ancient times. India's pioneer industrialist and Tata Group founder **J.R.D Tata** is the **world's biggest philanthropist of the last century** with donations worth 102.4 billion dollars.

With the **enactment of [Companies Act, 2013](#)** and subsequent amendments, the **concept of [Corporate Social Responsibility \(CSR\)](#)** has entered a new phase of evolution in India i.e. **from being a voluntary activity to a statutory responsibility**.

While almost all leading companies in India have their own CSR practices and policies, **absence of strict regulations and laws around CSR** makes it inconsistent and inefficient.

Also, some **grey areas in the provisions of [Section 135 of Companies Act](#)** need further clarification for more **efficient implementation of the CSR**.

### What is Corporate Social Responsibility?

- The concept of **Corporate Social Responsibility (CSR)** is the idea that companies should assess and take responsibility for their effects on the **environment and on social welfare**, and to **promote positive social and environmental change**.
- The four main types of corporate social responsibility are:
  - **Environmental Responsibility**
  - **Ethical Responsibility**
  - **Philanthropic Responsibility**
  - **Economic Responsibility**
- The **Corporate Social Responsibility** provisions within Companies Act is applicable to companies with an **annual turnover of 1,000 crore and more**, or a **net worth of Rs. 500 crore and more**, or a **net profit of Rs. 5 crore and more**.
  - The Act requires companies to set up a **CSR committee** which shall recommend a **Corporate Social Responsibility Policy** to the **Board of Directors** and also monitor the

same from time to time.

## 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](#) and promotion of education, **gender equality**.
  - Fighting [Acquired Immune Deficiency Syndrome\(AIDS\)](#), Human Immunodeficiency Virus, and other disorders
  - Ensuring **Environmental Sustainability**
  - Protection of [National Heritage, Art and Culture](#) including restoration of buildings and sites of historical importance and works of art.
  - Measures for the benefit of **armed forces veterans, war widows** and their dependents.
  - Training to **promote rural sports, nationally recognized sports, paralympic sports and Olympic sports**
  - Contribution to the [PM's National Relief Fund](#) or any other fund set up by the Central Government for socio-economic development and relief.

## What are the Main Challenges Related to CSR Initiatives in India?

- **Lack of Consensus Between the CSR Agencies:** There is **absence of consensus among the organisations** that organise and contribute in CSR processes in India.
  - This leads to **duplication of CSR programs** by the business houses for the society.
- **Lack of Community Participation:** There is a **lack of interest of the local community in participating** in corporate social responsibility activities of companies.
  - This is largely attributable to the fact that there exists **little or no awareness about corporate social responsibility** within the local communities.
- **No Clear Guidelines About CSR:** There are **no clear principle and directions about the CSR in India** and because of **lack of clear cut statutory guidelines**, the 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.
- **Lack of Transparency:** Due to the **lack of time-bound audits**, many companies in India do not disclose information about the CSR activities they participate in, such as funds used for the project, a list of CSR initiatives, and other assessments.
  - Because of this these **companies fail to build up a sense of belongingness** and connectivity with the society as well.
- **Lack of Corporate-NGO Connect:** Because a **large number of NGOs in India are not recognized**, corporates have fewer choices and benefits are limited.
  - Additionally, **corporations often partially fund NGOs to gain visibility and brand recognition**, not realising the main purpose of CSR.

## What Should be the Way Forward?

- **Achieving Sustainable Development Goals with CSR:** As India has made a sincere effort to prioritise and achieve [Sustainable Development Goals](#), [NITI Aayog](#) has also made this mainstream to the national agenda, it is the time to **integrate CSR and the SDG targets** under a **common umbrella**.
  - In this way, India can **improve accountability** of CSR at the same time moving towards **green and sustainable growth**.
- **Maintaining Transparency and Promoting CSR Awareness:** **Transparency, accountability and dialogue** can help to make CSR more trustworthy and push up the **standards of other organisations at the same time**.
  - Companies should prioritise [environmental restoration](#) in the area where they operate, earmarking **at least 25% for environment regeneration**.
  - Also, for its success, there is also a need to **spread awareness regarding CSR initiatives** among the general public, **especially NGO located in remote areas or**

villages.

- **Unified CSR Interface:** There is a need to **curate a national-level platform centralised by the Ministry of Corporate Affairs** where **all states can list their potential CSR-admissible projects** so that companies can assess where their CSR funds would be most impactful across India.
  - [Invest in India](#) and '**Corporate Social Responsibility Projects Repository**' on the [India Investment Grid \(IIG\)](#) can serve as a guide for such efforts.
  - Also, there is a need to devise a **single national level agency** acting as a **nexus of funding from corporate** and **percolating it for social betterment in a time bound and duty-bound manner**.
- **Linking CSR With Government Policies:** CSR can be linked with current government policies, especially for the development of rural or backwards areas.
  - For instance, [Saansad Adarsh Gram Yojana \(SAGY\)](#), where each [Member of Parliament](#) **adopts a Gram Panchayat** and guides its holistic progress giving importance for social development at par with infrastructure.
    - This **initiative can be linked with CSR** for better **nourishment of Gram Panchayats**.
- **Towards Circular Economy: End-of-life concepts** for products should be replaced by developing technologies and regulations for **recyclability and reusability of products** as part of a company's corporate social responsibility.
  - By doing so, the **life cycle of products can be extended, wastage can be minimised and pollution reduced**. In line, India can transition towards a [circular economy](#).
  - The government should also **recognize and reward the business houses working well in the area of CSR** to motivate them and enhance the scale of CSR in India.

#### ***Drishti Mains Question***

Explain major issues and potentials of Corporate Social Responsibility in light of Companies Act, 2013?

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