



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?

PDF Refernece URL: <https://www.drishtias.com/printpdf/strengthening-the-csr-framework>