



Corporate Social Responsibility and Government Regulations: Indian Perspective

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Abstract: *The concept of Corporate Social Responsibility (CSR) has gained increased significance in recent years. The growing focus on CSR has changed the attitude of businesses all over the world, and India is not an exception. The concept of CSR is not new to India; historically speaking, social responsibility of companies is a well-established phenomenon in India, and the country has one of the world's richest traditions of CSR. To promote CSR activities in right direction Government Regulations have been introduced all around including India.*

The synergy between a company's CSR activity and the formulation of government regulations reflects a broader shift in societal expectations. Companies play an important role through ethical, social and environmental activities under CSR in business strategy. Governments around the world recognize and value CSR activities. It is especially important that businesses understand social responsibility. Governments at the global level are framing various regulations regarding corporate social and environmental responsibility where the business world can help the government to tackle global challenges like climate change, social inequality, and better use of research. The present research study discusses the government regulations on corporate social responsibility and examines its social and environmental effectiveness. Also, the study examines the government regulations of CSR activities and discusses trends in CSR in India. After a detailed analysis, the article concludes that the future of CSR in India is bright, and that its importance will continue to grow even further given the increasing importance accorded to CSR world-wide, and India's own realization that it needs CSR to achieve long-term sustainability in the world economy.

Key Words: *Corporate Social Responsibility, Expenditure, Social, Environment, Activity.*

1. INTRODUCTION:

The principle of corporate social responsibility (CSR) is one of the concepts used by business corporations to contribute to various communities and societies wherever they operate voluntarily without any mandatory legislation. CSR is an emerging concept that is gaining popularity all over business organizations. CSR also refers to companies taking account of the social and environment, not just the financial consequences of their actions. The World Bank Group (2004) acknowledges that the modern corporate social responsibility (CSR) agenda is evidence that businesses are a part of society and contribute positively to societal goals and aspirations. CSR is fundamentally a process of managing the costs and benefits of business activity to internal and external stakeholders, ranging from employees, shareholders, and investors to customers, suppliers, civil society, and community groups. Thus, the role of governments in promoting and developing CSR in developed and developing countries is vital to ensure effective well-being for all through collaboration, although CSR is voluntary but still seems as mandatory. For sustainable development, the organization must strive to overcome social problems, protect the environment, and act according to social expectations. Proper implementation of CSR policies can bring a wide range of benefits to companies. The main benefit of CSR activity is that it helps companies maintain a favorable relationship with their stockholders.

2. MEANING OF CSR:

CSR represents a company's commitment to social responsibility in an ethical and sustainable manner to maintain the purpose of stakeholders such as employees, customers, shareholders, etc. CSR activity represents an initiative to benefit



society. Undertakes various activities aimed at bringing social and environmental benefits to the local community. Transparency in CSR helps a company's stakeholders evaluate its activities. CSR is not a short-term effort but a long-term commitment. CSR is not just a voluntary activity. But it is a mandatory duty as per the Companies Act 2013.

3. OBJECTIVES OF THE STUDY:

- To understand various rules and regulations governing CSR activities in India
- To analyse various data related to CSR activities undertaken by companies to give a
- clear idea of the status of CSR activities in India
- To give out suggestions to improve the CSR climate in India

4. LITERATURE REVIEW:

Aravind and Arevalo (2011) they discovered that Indian businesses use a stakeholder approach to CSR, that principles and morals are essential motivators for CSR, and an insufficient resources and cash is the most significant barrier to effective CSR implementation.

Neha Saxena (2016) she examined the issues that Indian companies confront in the realm of CSR in her research. Transparency, visibility, and a lack of community interest were identified as major issues in the study. For efficient implementation of CSR operations, it is necessary to raise public awareness.

Lalit Kumar Sharma et al. (2016) in their research, they examined the issues and challenges of CSR in India. The key challenges to CSR are transparency, a narrow impression of CSR projects, and a lack of clear CSR norms. The report also recommended that existing policies be reviewed in order to generate more significant aspirations for businesses and expand their offerings to locality.

Bindu Sharma et al. (2020) The study found that the primary challenges to CSR include a lack of effective community participation in the creation and execution of CSR programs, a lack of independent government supervision of corporate CSR activities, and a lack of clear CSR guidelines. The study also concluded that there is a need to raise knowledge about CSR in India, and that in order for CSR practices to be successful; plans must be made to distribute CSR activities evenly not only in metropolitan areas but also in rural areas.

Rabinarayan Samantara and Shivangi Dhawan (2020): Investigates a variety of CSR-related concerns and challenges. Archie b Carroll's economic, legal, ethical, and philanthropic components were addressed alongside other CSR models. The major drivers of CSR are tax relief, customer demand, brand building, and government, public, and investor pressure. Transparency, green washing, a lack of consensus, and community participation are all seen as major obstacles to CSR. In order to overcome the problems in the field of CSR, the study also recommended corporate expertise and strategic thinking.

Sarfraz, M. & Ozturk, I. (2023). Study on "Toward a new understanding of environmental and financial performance through corporate social responsibility, green innovation, and sustainable development". This study examines the relationship between CSR, the environment, and financial performance. Also analyzes the impact of green innovation actions and green innovation strategies. In this regard, information has been obtained from 497 employees in Pakistan and analyzed. According to the findings of this study, corporate social responsibility creates a positive impact for employees through environmental performance and financial performance. This study shows that CSR spending is more than charity, it can be a source of competitive advantage, opportunity, and innovation.

Wu, C., Cheng, F., & Sheh, D. (2023). Study on "Exploring the factors affecting the implementation of corporate social responsibility from a strategic perspective". This study sheds light on key elements of CSR strategy formulation. According to the findings of this study, the company's image, research capacity, risk-taking capacity, financial viability, and investment strategy are important factors for the company. The purpose of this study is to discuss the important influencing factors for the implementation of CSR activity. This study examines the effectiveness of both primary and secondary factors in CSR activity. According to this study, CSR activity not only represents the social responsibility of the entrepreneur but also maintains relationships with its stakeholders and provides competitive advantages.



5. RESEARCH METHODOLOGY:

Secondary data has been used in this research study. This information has been obtained from various magazines, articles, and websites. Also, statistical information has been obtained from the government portal and analyzed.

6. GOVERNMENT RULES OF CSR ACTIVITY IN INDIA:

The main role of the CSR Committee will be to formulate policy on CSR and recommend the same to the Board. Which company will be responsible for recommending and implementing various activities as mentioned in the seventh schedule of the law. The CSR Committee has to submit an annual report on this activity. The board is mandated to include shareholders in this report. In the CSR report, it is necessary to present the various activities done throughout the year, the money allocated for them, and their social effectiveness. The Seventh Schedule of the Act mentions areas like the promotion of education, the eradication of poverty, the end of hunger, the promotion of gender equality, the preservation of the environment, etc. under CSR activity.

Recently, there has been a significant increase in CSR activities by companies. Some new rules have been introduced to promote government CSR.

6.1. Digitalization of CSR:

Recently, the government launched an online portal for companies to register their activities. This portal provides ease in the calculation and accounting of expenditures incurred by companies under CSR.

6.2. Inclusion of COVID-19 relief measures under CSR:

In 2020, the Ministry of Corporate Affairs issued a circular. It said that in COVID-19, companies can undertake activities such as health care, setting up hospitals, contributing to the Prime Minister's Relief Fund, providing Prime Minister's Citizen Assistance, etc. Which will be considered a part of CSR activity.

6.3. National voluntary guidelines on corporate social, environmental, and economic responsibility:

In 2011, the Ministry of Corporate Affairs introduced National Volatility Guidelines (NVGs). These guidelines emphasize the need for companies to adopt a sustainable approach to CSR. Also provides guidance to companies on how to integrate CSR into their business operations.

6.4. Emphasis on education:

Under this Act, companies provide financial assistance under CSR activities to provide infrastructure for schools, train teachers, and provide scholarships to the needy.

6.5. Partnership with non-profit organizations (NGOs):

Under CSR activity, companies can increase partnerships with charitable trusts. As a result, companies can benefit from the experience and knowledge of NGOs in the social development sector.

6.6. Development of entrepreneurship in society:

In 2013, the Ministry of Corporate Affairs (MCA) framed regulations on CSR. Accordingly, the company can contribute to the fields of research and entrepreneurship development. It can help promote innovation and entrepreneurship in society.

6.7. Transparency and accountability:

According to the Amendment Act of 2022, the annual report must include details like CSR policy, details of CSR committee members, a summary of CSR activities, and its effectiveness. Also, it is necessary to present information about the company's working projects, surplus amounts, unspent money, etc. The annual report must present information on capital assets purchased through the amount allocated under CSR. Also, if the company fails to spend two percent of the average income of the previous three financial years, an explanation will also have to be given.

7. SOCIAL AND ENVIRONMENTAL EFFECTS OF CSR ACTIVITIES:

India has a rich history of environmental conservation. A key approach to CSR activity is that profit-seeking companies should take responsibility for solving social problems. Also, efforts should be made to solve social issues, keeping in



mind the contribution to maximize one's profit and increase one's wealth through one's stakeholders. India has accepted the welfare state, on the other hand, globalization. Liberalization and privatization have also been accepted. The public sector has also been privatized. In such circumstances, corporate social responsibility can mean that companies must take steps to satisfy the needs for social welfare. Companies should organize various activities so that the benefits of various social welfare schemes reach the maximum number of people.

The environmental and social impacts of CSR activity can be shown as follows.

7.1. Sustainable environmental maintenance:

CSR activity ensures the protection of the environment and takes initiatives to reduce adverse effects and damage to the environment. Research can be preserved for future generations. Global problems like depletion of the water table, non-disposal of chemical and toxic waste, supply of clean air etc. can be tackled through CSR activity.

7.2. Protection of flora and fauna:

Due to the development of industries near forests, toxic fumes and pollution, some species of wild animals have become extinct and plants are also damaged. Steps can be taken to solve problems related to deforestation, illegal trade, and tiger poaching etc. under CSR activity. However, strict action is taken by the government against non-compliant companies. Environmental damage can be prevented by undertaking various programs through CSR activity.

7.3. Agro Forest:

An agroforest is a farming system integrating plants, trees, livestock, and crops. Through which high results can be obtained using low-cost equipment and technology. It meets the demand of agroforestry producers like fuel, timber, fodder, food, etc. By undertaking such projects through CSR activity, production can be achieved while providing protection to the environment.

7.4. Maintenance of animals or animal welfare:

To maintain the environment on earth, it is necessary to maintain balance in the ecosystem. For the well-being of the ecosystem and preservation of the environment, measures related to the construction of shelters, expansion of veterinary services, affordable food for them, protection of the needs of stray animals etc. are undertaken.

7.5. Helps in alleviating poverty:

An important social impact of CSR activity is that it contributes significantly to poverty reduction. Expenditure on various activities for the underprivileged sections of society increases their work skills, improves living standards and increases employability. However, one thing to be noted here is that most companies spend on poverty alleviation programs with short-term objectives in mind. But in reality, CSR activity should be done keeping in view the long-term objectives of poverty alleviation. This provides the foundation for consistent and sustainable development.

7.6. Helps reduce inequality:

Companies allocate a certain percentage of the profits they earn through economic activities for social welfare. Spending on the weaker and poor sections of society improves their standard of living. To some extent reduces economic and social inequality.

8. SECTOR WISE TRENDS OF CSR ACTIVITIES IN INDIA

CSR activities in India help the education system, health services, environmental preservation, and sustainable development. CSR activity has proved to be particularly important for rural education and health.

Looking at the trends of CSR activity in India historically, it seems that the environment has been given less priority in this activity. Social problems like education, health, poverty, and sanitation have been given priority under CSR activity, while environmentally related problems have not been given special importance. India's Ministry of Corporate Affairs published figures on CSR for the last seven years show that 38% of spending under CSR is on education. 22% of expenditure is on health and sanitation, 10% on rural development and 8% on the environment. For conservation of the environment, marginal allocations are made for renewable energy, tree plantation, green initiatives and reservoirs, forests, grasslands etc. Which actively needs improvement.



Table: 1 CSR Spending Sector Wise (Amount INR Cr.)

Development Sector	FY 2019-20	FY 2020-21	FY 2021-22
Conservation Of Natural Resources	160.60	92.00	271.95
Education	7179.51	6693.25	6367.33
Environmental Sustainability	1470.53	1030.16	2366.15
Livelihood Enhancement Projects	1 077.72	938.91	822.01
Art And Culture	933.57	493.13	241.24
Prime Minister's National Relief Fund	798.43	1698.38	1190.86
Rural Development Projects	2301.02	1850.71	1801.43
Safe Drinking Water	253.40	203.13	176.10
Slum Area Development	42.94	88.95	58.14
Socio-Economic Inequalities	214.88	149.81	156.06
Swachh Bharat Kosh	53.47	161.35	32.92
Training To Promote Sports	304.00	243.39	286.69
Women Empowerment	259.57	206.00	251.31
Armed Forces, Veterans, War Widows/ Dependants	62.06	84.05	42.55
Clean Ganga Fund	6.63	13.39	54.31
Gender Equality	82.93	43.83	97.64
Health Care	4905.72	7325.83	7636.18
Nec/ Not Mentioned	502.79	203.14	0.59
Other Central Government Funds	932.16	1618.17	303.34
Poverty, Eradicating Hunger, Malnutrition	1159.71	1407.58	1873.68
Animal Welfare	106.12	193.55	165.56
Sanitation	521.72	338.97	301.48
Senior Citizens Welfare	52.33	56.47	76.23
Setting Up Homes And Hostels For Women	48.50	44.52	100.15
Setting Up Orphanage	36.50	21.88	25.79
Agro Forestry	67.38	20.90	33.13
Special Education	196.88	209.24	181.82
Technology Incubators	53.50	62.62	7.33
Vocational Skills	1181.23	717.65	1010.83

Source: www.csr.gov.in

The above table examines the trends performed by companies in India from 2019-20 to 2021-22. Accordingly, the highest proportion of CSR spending in India is on education. After that, the second rank includes the health sector. Companies spend a fair amount on various rural development functions. However, the expenditure on the environment is very low. By analyzing the above information, it can be said that all types of expenditure under CSR have decreased in 2020-21 and 2021-22 as compared to 2019-20. The reason for which is the decrease in the profit of companies due to economic activities slowing down during Corona. As a result, the expenditure on CSR has also decreased during these years.

9. CHALLENGES FACING THE IMPLEMENTATION OF CSR ACTIVITIES:

Despite the fact that firms in India are aggressive in pursuing CSR efforts, there are a number of issues and challenges in the way of the effectiveness of CSR interventions in India, which have an impact on the impact of these activities. These are as follows:

9.1. Society's Lack of Participation:

In India, the general public and the community are the main barrier to moving forward with a CSR initiative. They are unwilling to participate in CSR-related activities primarily due to a significant communication gap that exists between the general public and corporate social responsibility activities.

9.2. Expertise and well-trained organizations are required:

Another impediment to the efficiency of CSR programs is a lack of competence within firms. There is a need to form a network of well-trained and knowledgeable non-governmental groups that can effectively contribute to CSR initiatives. This will improve India's level of CSR initiatives.



9.3. CSR Initiatives with No Transparency:

Some businesses are not forthcoming with information about their CSR initiatives, such as funds used, audit reports, a list of CSR initiatives, and other assessments. As a result, these businesses are unable to foster a sense of community and belonging.

9.4. Lack of Consensus:

There is a lack of consistency among various municipal agencies and corporate entities, resulting in firms' CSR activities being duplicated. This encourages enterprises to compete in ways that are counterproductive to the core goal of creating value for society.

9.5. No clear guidelines for CSR:

There are many specific principles, standards, or directions for CSR activities to guide businesses so that they can choose the appropriate path in terms of CSR. Because there are no clear regulatory criteria, the amount of CSR is determined by the size of the firm, the larger the organization, the larger the CSR program. This is a barrier for tiny organizations who desire to make a difference in this industry.

9.6. Narrow perception of CSR Initiatives:

Governmental and non-governmental groups usually see CSR programs as more donor driven than locally oriented. As a result of this, people are not so sure, whether they should participate in these activities over the long run.

9.7. Lack of untrained and underdeveloped personnel:

In India, a lack of efficient and well-trained people for the execution and management of CSR activities is also a barrier to their success. Organizations involved in CSR initiatives should consider taking some effective action

10. SUGGESTIONS:

- More number of companies needs to come forward to meet the 2% expenditure criteria for CSR activities by setting aside funds
- Companies need to bring in eminent personalities having expertise in the field of CSR activities in their CSR committees to chalk out proper planning
- Rather than concentrating on somehow spending bulk amount on CSR activities, companies need to do proper analysis to identify states having large backward population and emphasize on covering as many backward districts as possible
- The government needs to be more vigilant regarding the companies meeting the CSR targets each year and insist on mandatorily disclosing their CSR expenditure through the director's report to the authorities.
- Companies must consider a wide range of issues to address through their CSR initiatives. To prevent duplication of effort, they should think about the development agenda in a much broader approach.

11. LIMITATIONS OF THE STUDY:

Since this study is based on secondary data, its findings are presented based on the secondary data obtained. The impact of CSR activity may be different in different regions and in different sectors in different years.

12. CONCLUSION :

Companies are in their own way making contribution towards strengthening the CSR activities in India. They are addressing various pressing issues affecting society like employment generation, community development, environmental protection, easy accessibility of healthcare facilities, creating inclusive market, etc. Lack of coordination among the various stakeholders at the policy framework level has remained a major challenge to realize the full potential of this activity. Involvement of the various stakeholders like companies, individuals, organizations, and governments at the state and central level in a synergistic manner to utilize the resources more effectively can help achieve the developmental goals. The initiative can be spruced up by way of providing more clarity on the actual meaning of CSR in the Indian context and offering a more favorable policy environment. Government of India is undertaking various definitive steps to convey to the companies that implementation of strategic CSR can lead to more sustainable business. A win-win situation can be created for all the stakeholders by way of creating a pool of resources both financial and technical. This can lead to a holistic development for the entire society.



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