

Law Audience Journal, Volume 4 & Issue 4, 14th October 2022,
e-ISSN: 2581-6705, Indexed Journal, IF 5.381, Published at
<https://www.lawaudience.com/volume-4-issue-4/>, Pages: 14 to 27,

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijooor1980@gmail.com.



Cite this article as:

DR. K.L. CHANDRASHEKHARA, “Corporate Social Responsibility in India: Issues and Challenges”, Vol.4 & Issue 4, Law Audience Journal (e-ISSN: 2581-6705), Pages 14 to 27 (14th October 2022), available at <https://www.lawaudience.com/corporate-social-responsibility-in-india-issues-and-challenges/>.

Law Audience Journal, Volume 4 & Issue 4, 14th October 2022,
e-ISSN: 2581-6705, Indexed Journal, IF 5.381, Published at
<https://www.lawaudience.com/volume-4-issue-4/>, Pages: 14 to 27,

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

Publisher Details Are Available At:

<https://www.lawaudience.com/publisher-details/>

Editorial Board Members Details Are Available At:

<https://www.lawaudience.com/editorial-board-members/>

| Copyright © 2022 By Law Audience Journal |

(E-ISSN: 2581-6705)

All Copyrights are reserved with the Authors. But, however, the Authors have granted to the Journal (**Law Audience Journal**), an **irrevocable, non-exclusive, royalty-free and transferable license to publish, reproduce, store, transmit, display and distribute** it in the **Journal or books or in any form and all other media, retrieval systems and other formats now or hereafter known.**

No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law.

For permission requests, write to the publisher, subject of the email must be **“Permission Required”** at the email addresses given below.

Email: lawjournal@lawaudience.com, info@lawaudience.com,

Phone: +91-8351033361,

Website: www.lawaudience.com.

Facebook: www.facebook.com/lawaudience

Instagram: www.instagram.com/lawaudienceofficial

Contact Timings: 5:00 PM to 9:00 PM.

Law Audience Journal, Volume 4 & Issue 4, 14th October 2022,
e-ISSN: 2581-6705, Indexed Journal, IF 5.381, Published at
<https://www.lawaudience.com/volume-4-issue-4/>, Pages: 14 to 27,

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

DISCLAIMER:

*Law Audience Journal (e-ISSN: 2581-6705) and Its Editorial Board Members do not guarantee that the material published in it is 100 percent reliable. You can rely upon it at your own risk. But, however, the Journal and Its Editorial Board Members have taken the proper steps to provide the readers with relevant material. Proper footnotes & references have been given to avoid any copyright or plagiarism issue. Articles published in **Volume 4 & Issue 4** are the original work of the authors.*

*Views or Opinions or Suggestions (**if any**), expressed or published in the Journal are the personal point of views of the Author(s) or Contributor(s) and the Journal & Its Editorial Board Members are not liable for the same.*

While every effort has been made to avoid any mistake or omission, this publication is published online on the condition and understanding that the publisher shall not be liable in any manner to any person by reason of any mistake or omission in this publication or for any action taken or omitted to be taken or advice rendered or accepted on the basis of this work.

All disputes subject to the exclusive jurisdiction of Courts, Tribunals and Forums at Himachal Pradesh only.

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

ABSTRACT:

“It is rightly said that “It is easy to dodge our responsibilities, but we cannot dodge the consequences of dodging our responsibilities.” - Josiah Charles Stamp, 1880-1941, former director of the Bank of England. In this modern digitalized world, businesses are required to be mindful both in terms of what they are doing and how they are doing it. The company’s brand is not just dependent on the quality of products they are offering to people but on the overall impact of the company’s operations on the society, environment and the economy. Their sense of social responsibility provides them with a competitive edge over their competitors in a crowded marketplace.

CSR is a holistic and integrated management concept whereby companies integrate their social and environmental objectives with their business objectives. It works on a Triple Bottom Line Approach i.e., Company focuses on 3P’s; People, Planet & Profit while addressing all the expectations of its stakeholders. The majority of policy initiatives in the country are driven by the objectives of equal opportunities, minimizing poverty and human deprivation, focus on fundamental rights, etc. thereby leading to strong human development. The choices that we make today will be going to affect and influence our future generations. Despite all this inequality and disparity still exists.

This year, the Indian Government implemented new CSR guidelines. These guidelines require Indian companies to spend 2 percent of their net profit on CSR. India is the first country in the world to make CSR mandatory. Including the CSR mandate in Companies Act, 2013 is a great step of engaging the corporate sector in the equitable development of the country. Earlier companies were required to spend 2 percent of the profits towards CSR and in case of failure to do so; they were required to give reasons. But as per the present amendment, companies are required to spend 2 percent of profits towards CSR in the given time limit or are required to turn over this amount of profits in the funds which are run by the government. The new amendment will require all the companies which qualify the provisions under CSR guidelines

***Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.***

to spend the specified part of their profits towards Corporate Social Responsibility without failing.”

Keywords: CSR, Corporate, Society, Environment, Triple Bottom Line, Sustainability, Social Responsibility.

I. INTRODUCTION:

Corporate Social Responsibility (CSR), is not a new concept but is definitely the latest buzzword in the corporate sector. It has become increasingly popular over the last few decades. Charity by companies is not something new in India. But CSR is not merely charity or donations. CSR is that way of running the businesses by which corporate houses contribute towards social good and adds to value. It can be defined as a sense of responsibility of the companies towards the community and the environment in which they operate. The concept of CSR has a long history and has evolved gradually.¹ In its early stages companies discharged very limited social responsibilities in society.² It may be observed that CSR has been looked upon as voluntary mechanism until recently.

But today it is no longer acceptable for a corporation to enjoy economic prosperity alone like earlier leaving those agents impacted by its activities as there is no reason to think that shareholders are willing to tolerate an amount of non-profit activity which appreciably reducing their dividends or market performance.³ Now many companies are choosing to make a public commitment to ethical business by formulating codes of conduct and operating principles.⁴ Hence, it is the right time to focus its attention on increasing its bottom line with being a good corporate citizen. It is now evitable to keep abreast of global trends and financial obligations

¹ Sheikh. S., (1996), Corporate Social Responsibilities-Law and Practice, Gavendish Publishing Ltd., p.9.

² Tawner, R.H., Religion and the Rise of Capitalism, (1926), New York: Harcourt, Brace and company, p. 233.

³ Hetherington, J.A.C., (1973), corporate social responsibility audit: A management tool for survival. London: The Foundation for Business Responsibilities, p. 37.

⁴ John Velentzaz and Georgia Broni (2010), Ethical Dimensions in the conduct of Business: Business Ethics, Corporate Social Responsibility and the law, The Ethics in Business as a sense of business ethics, International Conference on Applied Economics (ICOAE) p. 795.

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

to deliver both private and public benefits, corporations have forced to reshape their frameworks, rules, and business models. Therefore, today CSR is a dominant concept in business reporting as a policy concern and every corporation has to produce a report annually detailing its activity. However, it is to be remembered here that as there is disagreement with each other about socially responsible activity, difficulty continues to recognize the activities as socially responsible. In common parlance, CSR is concerned with the relationship between a corporation and its stakeholders. In addition to it, it can be defined based on relationship as: Broader sense it is concerned with the relationship between global corporations, governments of countries and individual citizens; Narrower sense it is concerned with the relationship between a corporation and the local society in which it resides or operates.

II. MEANING AND DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY:

The EC⁵ defines CSR, as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders.”

The WBCSD defines CSR⁶, “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”

According to the UNIDO⁷, “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives

⁵ http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm

⁶ <http://www.wbcd.org/work-program/business-role/provious-work/corporate-social-responsibility.aspx>

⁷ [http://www.unido.org/what-we-do/trade/csr/what-is-csr.html#ppl\(gl\)101](http://www.unido.org/what-we-do/trade/csr/what-is-csr.html#ppl(gl)101)

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

(Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.”

From the above definitions, it is clear that: CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses; CSR needs to address the well-being of all stakeholders and not just the company’s shareholders; Philanthropic activities are only a part of CSR, which otherwise constitutes a much larger set of activities entailing strategic business benefits.

Globally, the notion of CSR and sustainability seems to be converging, as is evident from the various definitions of CSR put forth by global organizations. The genesis of this convergence can be observed from the preamble to the recently released draft rules relating to the CSR clause within the Companies Act, 2013 which talks about stakeholders and integrating it with the social, environmental and economic objectives, all of which constitute the idea of a triple bottom line approach. It is also acknowledged in the Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises issued by the DPE in April 2013. **The new guidelines, which have replaced two existing separate guidelines on CSR and sustainable development, issued in 2010 and 2011 respectively, mentions the following:**

“Since corporate social responsibility and sustainability are so closely entwined, it can be said that corporate social responsibility and sustainability is a company’s commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.”⁸

⁸ Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises - http://www.recindia.nic.in/download/DPE_Guidelines_CSR_Sust.pdf

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

III. NEED FOR CSR:

Earlier there was thought that business causes poverty through land acquisition, pollution, violence, corruption, etc. but now business has been portrayed as a solution to the problem for world poverty through the promotion of free markets and the incorporation of *small and medium-sized enterprises (SMEs)* in global supply chains, with help from large companies in upgrading their product design, production and marketing.⁹ Further, power and participation are two key issues as CSR is an arena of political contestation ‘*both in the “macro” sense of defining relations between the market and the state, and between different actors and social groups, and in relation to participation in decision-making*’.¹⁰ Who has the power to make decisions, what power structures are implicit in CSR, and who has a voice in the debate are all questions that we need to consider.¹¹ In addition, governance refers to ‘*sustaining co-ordination and coherence among a wide variety of actors such as political actors and institutions, corporate interests, civil society and transnational organizations*’.¹²

The privatization has led to a situation in which political power and institutional capability are less and less rooted in formal constitutional powers, and increasingly derived instead from a capacity to wield and coordinate resources from a variety of state and non-state actors.¹³ This trend has caused an accelerating convergence between business and civil society in actively setting regulatory frameworks in economic development. This in turn is manifested in multi-stakeholder initiatives to facilitate the strengthening and implementation of standards, in the

⁹ Michael Blowfield and Jędrzej George Frynas, (2005), ‘Setting new agendas: critical perspectives on Corporate Social Responsibility in the developing world’, *International Affairs* 81: 3, pp. 499–513. Commission on the Private Sector and Development, *Unleashing entrepreneurship*, report to the Secretary General of the United Nations (New York: UNDP, 2004); Khalid Nadvi, ‘Globalisation and poverty: how can global value chain research inform the policy debate?’, *IDS Bulletin* 35: 1, 2004, pp. 20–30; Olaf Kula, Jeanne Downing and Michael Field, ‘Value chain programmes to integrate competitiveness, economic growth and poverty reduction’, *Small Enterprise Development* 17: 2, 2006, pp. 23–35.

¹⁰ UNRISD, Conference news: corporate social responsibility and development: towards a new agenda (Geneva: UNRISD, 2003), p. 21.

¹¹ M. Prieto-Carrón, P. Lund-Thomsen, A. Chan, A. Muro and C. Bhushan (2006), *Journal Compilation* © 2006 Blackwell Publishing Ltd/The Royal Institute of International Affairs, 82: 5, pp.977-987.

¹² Jon Pierre, ed., (2000), *Debating governance: authority, steering and democracy*, Oxford: Oxford University Press, pp.3–4.

¹³ Harriet Bulkeley and Arthur P. J. Mol, ‘Participation and environmental governance: consensus, ambivalence and debate’, *Environmental Values* 12: 2, 2003, pp. 143–54.

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

use of public–private partnerships in service delivery, and in the acceptance of corporations’ initiatives in assuming a prominent role in regulating their own social and environmental performance.¹⁴

IV. BENEFITS OF CSR:

CSR is recognizing as a doctrine of distribution of wealth and a dominant business concept¹⁵. This doctrine distributes the wealth among the stakeholders, whatever created within the firm to the owners, workers and local community in the form of dividends, wages, and welfare programs etc. It makes to see the human side of business and to realize every business as a venture wherein it needs stakeholders’ absolute support morally and financially, they may be employees, customers, clients, suppliers, government agencies. CSR practices are collective benefits for all above mentioned groups. Willingness of them only can make it works. It develops the culture in corporate sector that everyone should get breathed and driven within it. CSR as continuous commitment it makes to behave ethically and legally for the socio-economic betterment of the society. **However, for the purpose of the study, it can be grouped as follows:**

IV.I BENEFITS FOR BUSINESS:

Many businessmen might be in the notion that CSR is not for them as it is expensive, but in reality it need not to be expensive for it to be effective.¹⁶ CSR practices bring: improves financial performance (*reduction in consumption of energy and operating costs*); create influence (*reputation and credibility*) in the industry irrespective of size; brings access to get new funding opportunities to enlarge and improve business; brings publicity , in which it motivates others; maintains strong trust with both existing and new clients; retention of employees.

IV.II BENEFITS FOR EMPLOYEES:

¹⁴ Catherine Dolan and Maggie O’Pondo, (2005), ‘Seeking common ground: multi-stakeholder processes in Kenya’s cut flower industry’, Journal of Corporate Citizenship 18, pp. 1–12.

¹⁵ Every corporation should produce a report CSR as a policy concern annually detailing CSR activities.

¹⁶ It is to be remembered that there is great difficulty in recognizing the activities as socially responsible as there is a disagreement with each other about it.

***Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.***

Develops new skill to staff to improve their performance professionally and personally; continues to work; enables to participate in CSR commitments; increases their morale and a sense of belonging to the company.

IV.III BENEFITS FOR LOCAL COMMUNITY:

Many companies have realized the importance the local community as stakeholder. And the ‘license to operate’ is no longer a power with government alone but communities that are impacted by a company’s business operations. A robust CSR Programme can maintain the license precluding the ‘trust deficit’. CSR enhances community livelihood by taking them into their supply chain for increase their income through employment opportunities.

IV.IV BENEFITS FOR CUSTOMERS:

Customers can have new types of satisfaction that products with values like sweatshop –free, child labour free, products and clothes with less impact on environment and no genetically modified materials or ingredients in the products etc.

IV.V BENEFITS FOR GOVERNMENT AGENCIES:

Through law and policies government protects the interest of both stakeholders and companies. Further government designs policies to assist both of them to carry out their roles more effectively and efficiently. Government works as a CSR driver as it encourages for employment opportunities and conservative strategies. When laws are very clearly defined there is no scope for harm or risk to the society /consumer/ environment. Business activities will run smoothly without any hurdles.

V. LEGAL ASPECT OF CSR:

Section 135 (Corporate Social Responsibility) Rules, 2014 and Schedule VII of the Companies Act, 2013, relates to CSR. Every company including its holding and subsidiary company with a net worth of Rs. 500 crores or more, turnover of Rs. 1000 crores or more and net profit of Rs. 5 crores or more are required to comply with all the provisions of CSR. Every company which is eligible for doing CSR is required to constitute a CSR committee of the board. Board of directors of the company must ensure that the particular company spends at least 2 percent of its average net profits made during the 3 immediately preceding financial

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

years, in every financial year as per its CSR policy. Earlier, companies were required to comply or give reasons for noncompliance and then get away with it. But, *as per the new amendment (2019) of Section 135 of the Companies Act, 2013*, getting away will not be that easy. Amendment of the section incorporates a provision, according to which if a company is unable to spend the target amount kept for CSR activities, then it is required to transfer the amount to a fund which is prescribed under *schedule VII*, for example, *Prime Minister’s National Relief Fund*. Within 30 days after the date of closure of the 3rd financial year, the unspent amount of money has to be transferred to the particular fund. If any company contravenes with the provisions of Section 135, it is required to pay a fine which ranges from Rs. 50,000 to Rs. 25,00,000. Also, as per the provisions officers shall be liable for imprisonment of up to 3 years. The penal provision of the act bounds all the corporate entities fulfilling SR criteria to perform Corporate Social Responsibility (CSR) and define the penalties and imprisonment for the violation of the CSR norms.

The effect of liberalisation and increased competition may increasingly be for business lawyers to view themselves simply as business people, like any others. In the words of the *Hon Justice Michael Kirby, summarising AT Kronman’s The Lost Lawyer – Failing Ideals of the Legal Profession*, ‘The role of the lawyer in the old days involved compassion for the client’s entire predicament, tempered by detachment and also a measure of concern for the public good. The growing ascendancy of the economic view of law and a decline of its self-image as a helping profession, will continue the decline of idealism and professionalism unless this is arrested’.¹⁷

According to European Commission, CSR is ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.’ It may confine to understand CSR is only to market-driven ‘voluntary’ action beyond minimum legal requirements and become a potential barrier to considering the role of lawyers in promoting CSR. Sink between CSR and legal practice may

¹⁷ Ward, Halina, (2005) “Corporate Responsibility and the Business law”, International Institute for Environment and Development, London, p.3.

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijor1980@gmail.com.

have certain tensions as CSR goes with responsibility, transparency and confidentiality but legal profession goes with liability, confidentiality and cautious defensiveness.¹⁸

However, the role of legal profession cannot be overlooked as CSR involves lots of legal issues in social security and environmental measures. **Following are the certain notable services providing by legal profession in CSR practices;**

- *To ensure businesses around the world comply with existing legal requirements.*
- *To guide the companies as a wide variety legal issues including defamation, misleading advertising, product liability, competition policy and negligence.*
- *To advise voluntary initiatives of the companies for example, once a voluntary corporate code of conduct is adopted in a supply chain contract, it acquires legal status as a matter of contract.*
- *To tackle transnational business difficulties like human rights abuses, violent conflict, or oppressive regimes.*
- *To protect the company from business damage, as the way in which litigation is managed can definitely have an impact on business reputations.*
- *To help the company in reporting on environmental and social issues.*¹⁹
- *To interpret company law through the lens of the corporate responsibility.*
- *To focus on areas such as tax avoidance, and the terms of foreign investment contracts between foreign investors and host country governments.*²⁰

However, remarkable move can be seen as a number of law firms in the rich countries of the ***Organization for Economic Cooperation and Development (OECD)*** have begun to make statements on the availability of ‘CSR advisory services’ for clients, or on their own ‘CSR policies’, including commitments to community engagement and *pro bono* work.²¹

¹⁸ Ibid, pp. 5, 14.

¹⁹ Halina Ward, Legal Issues in Corporate Citizenship, February 2003, IIED/Swedish Ministry for Foreign Affairs, available online via www.iied.org/cred/pubs.html., See e.g., the French example cited in Legal Issues in Corporate Citizenship, ante, n 16, at pp 3-4., IBA Section on Legal Practice, Human Rights Law Committee Newsletter, October 2004.

²⁰ Note 14, p.6

²¹ See, e.g. The European Lawyer, Issue 24, December 2002/January 2003, David Kinley, “Lawyers, corporations and international human rights law,” The Company Lawyer, Volume 25 No 10, or Brian

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

VI. CSR IN INDIA:

CSR in India has been shifted from traditional philanthropic activities like educational and cultural institutional building to community development through various projects. This is because of global influences which force communities to become more active and demanding. *The Companies Act, 2013*, has introduced under section 135 the concept of CSR mandating with greater transparency and disclosure. Schedule VII of the Act listed the CSR activities²² and suggested communities to be the focal point. Whichever the companies have annual turnover of thousand crores or more/ net worth of five hundred crores or more/ net profit of five crore or more should comply with this legal provision. Companies have to spend two percent of their average profits in the three previous years on CSR activities.²³

VII. ISSUES AND CHALLENGES:

Running a business and keeping in mind the social responsibility is really a challenging task. The companies today have to consider more than just profits if they want to keep their stakeholders happy. They are still trying to master the art of maintaining a balance between the company’s strategic objectives and Social/Environmental concerns. **Some of the challenges that the company face during CSR implementation are:**

Burkett et al, “Voluntary Regulation of Labour Standards: An overview of the corporate social responsibility phenomenon”, in Lexpert American Lawyer Media 500, undated, available online at www.lexpert.ca/500/rd.php?area=L1, also see www.abanet.org/intlaw/spring04/corpsec.html.

²² List of the activities under Schedule VII: promotion of education; eradication of extreme hunger and poverty; Gender equity and women empowerment; reducing child mortality and improving maternal health; combating HIV-AIDS, malaria and other diseases; environmental sustainability; social business projects; contribution to PM’s relief fund and other such state and central funds; and such other matters as may be prescribed; employment enhancing vocational skills.

²³ The company should have the CSR committee, which will be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities. The CSR committee can also ensure that all the kinds of income accrued to the company by way of CSR activities should be credited back to the community or CSR corpus. The board of the company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy for the company and disclose its contents in their report and also publish the details on the company’s official website, if any, in such manner as may be prescribed. If the company fails to spend the prescribed amount, the board, in its report, shall specify the reasons.

***Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.***

VII.I FAILURE TO CONSIDER CSR’S HOLISTIC VIEW:

Companies still have a narrow perception of CSR. They fail to understand the holistic view of CSR, that CSR has its impact on mostly all of the stakeholders of the company and it impacts both society and the environment as a whole. It is very important for businesses to realize new opportunities and use them in solving public problems. They must try to create shared-value i.e., they must integrate business objectives with sustainability and social objectives. The business should embrace CSR in their business operations and should clearly identify the areas of priority and investment.

VII.II LACK OF TRANSPARENCY:

For the success and proper implementation of CSR policy within a company, Transparency is an important condition. CSR and Transparency are closely linked. This helps various stakeholders involved with a company to get a proper insight into different issues that are relevant to them. Practicing window-dressing within the organization can hide a lot of information from the stakeholders. If society today, needs CSR then they also need CSR transparency. The present level of transparency by corporate houses is completely insufficient. Companies do not make adequate efforts to disclose relevant information. This comes in between the trust-building among corporate houses and communities. Transparency is crucial for the success of any CSR initiative therefore; lack of transparency is the biggest challenge faced by CSR.

VII.III HARMONIZING THE COMPANY’S DEVELOPMENT GOALS WITH THE INTERESTS OF ITS SHAREHOLDERS:

It is really important to reconcile social responsibility and economic performance and is, therefore, a big challenge too. The creation of shared and sustainable value thereby integrating the company’s development goals with the interests of its stakeholders is a big challenge in the road of CSR.

VII.IV GREENWASHING:

Inequality in India is really high. The CSR law does not go far enough in reducing inequality and doesn’t have a coercive enforcement mechanism. CSR is not that transparent enough and

*Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.*

therefore gives an illusion of progress. This leads to Green Washing on a national scale. This is one of the biggest challenges for CSR compliance and effectiveness.

VII.V LACK OF SUFFICIENT FINANCIAL RESOURCES, LOCAL CAPACITIES, AND INFRASTRUCTURE:

CSR may involve a hefty amount of investments. Therefore, companies must properly plan and prioritize their investments. Proper planning of resources to be involved and issues to be tackled must be done before executing initiatives. Also, there is a lack of local capacities and proper infrastructure. There are no good governmental and non-governmental organizations which can contribute towards CSR therefore; there is a dire need to build local capacities and infrastructural facilities for effective implementation of CSR.

VII.VI LACK OF CONSENSUS:

There is a lack of consensus among different local agencies and corporate entities which results in duplication of efforts by the firms in terms of CSR initiatives. This leads to unnecessary competitive spirit among the firms which go against the main objective of building value for the society.

VII.VII LACK OF PARTICIPATION BY COMMUNITIES:

Communities for which CSR is to be done to show less interest in the programs and initiatives scheduled by organizations. Also, not proper efforts are undertaken to spread the activities of CSR among the communities and thereby not instilling needed confidence in the people. The inadequate communication between the organizations and communities is one of the major challenges for CSR.

VII.VIII LACK OF STRATEGIC PLANNING:

Due to a lack of strategic planning, proper experimentation, innovation, and engagement, companies aren't able to make a meaningful impact on their CSR efforts. They are not able to identify ideal investment projects and therefore cannot provide high impact results. Corporate houses must understand the challenges faced by its citizens and then invest properly.

VII.IX FAULTY EXECUTION AND IMPLEMENTATION:

Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.

Companies fail massively when it comes to the execution and implementation of CSR strategy. Companies must go in with a commitment of long term, they must try to engage the workforce, and leaders should personally commit and plan effectively. Don't just speak about it, act upon it make it happen. For increased effectiveness and efficiency, it is important to execute CSR efforts strategically.

VIII. CONCLUSION:

CSR though a beautiful concept its effective implementation may suffer with the limitations like consensus, public participation, capacity of the stakeholders at various levels, transparency etc. Therefore, it may anticipate that corporate may dominant stakeholders in their relationships like pressure the suppliers to sell their products at lower prices, wages and working conditions, engaging in avoidance, and lobbying governments to resist social and environmental regulation etc. But as in India it has been mandated in the year 2014, it needs to wait some more time to examine the legal provisions meant for the CSR activities.

IX. DEALING WITH CHALLENGES:

- *Creating awareness about Corporate Social Responsibility amongst the general public.*
- *Building a long-term goal and sustainable perspective on CSR activities in order to bridge the gap between all the important stakeholders in order to effectively implement CSR activities.*
- *Companies must think of some diverse issues to be tackled by their CSR practices. They should consider the development agenda in a much broader way to avoid duplication of efforts.*
- *The pooling of resources and building of synergies by both companies and non-governmental organizations for more efficient plus effective implementation of CSR activities.*
- *Efforts should be taken for poor and underprivileged people of both Urban and Rural areas.*
- *The government should give awards and accolades to corporate houses that are doing their bit for the needy and poor.*

***Title: “Corporate Social Responsibility in India: Issues and Challenges”,
Authored By: Dr. K.L. Chandrashekhara, Assistant Professor of Law,
Vidyavardhaka Law College, Mysuru, Karnataka,
Email Id: aijoor1980@gmail.com.***

- *Sensitization of students by making CSR a compulsory subject or discipline in schools, colleges or universities. This approach will motivate young blood and help them to face future challenges. And also, to provide more innovative solutions for the betterment of society and the environment as a whole.*

