



Corporate social responsibility and ITS effect on business reputation

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Abstract

The scope of Corporate Social Responsibility (CSR) nowadays is broad and depends on the nature of the organization and its commitment to a cause. It has always been significant for an enterprise to have positive association among the community in which it functions. CSR has emerged as a crucial aspect of contemporary business operations, reflecting a company's commitment to ethical, social, and environmental concerns beyond profit-making objectives. This study investigates the multifaceted relationship between CSR initiatives and business reputation. CSR is a conception, which stated that companies have responsibilities to society. It reduces the cost as well as challenges thereby, boosting the brand value and reputation of the firm. Corporate Social Responsibility is considered as a point of convergence of different activities attempted at guaranteeing social and economic expansion of the society. In emerging nations such as India, where there are different socio-economic issues confronting the people generally, the implementation of CSR policies via the Companies Act in 2013 is a significant step in the overall socio-economic expansion strategies. It is applicable and significant to observe how these initiatives of the Government are functioning and the extent of its consequence on businesses, social and economic growth.

The study delves into the potential challenges and risks associated with CSR implementation, including greenwashing and stakeholder skepticism. By analyzing case studies and empirical research, it offers practical recommendations for businesses seeking to enhance their reputation through meaningful CSR initiatives while mitigating reputational risks.

Overall, this research contributes to a deeper understanding of the interplay between CSR and business reputation, emphasizing the significance of aligning organizational values with societal expectations to foster long-term sustainability and competitiveness in today's dynamic business landscape.

Keywords: CSR, companies Act, CSR initiatives, society

Introduction

With an increasing importance on CSR, firms should decide how to incorporate CSR into their organizational strategy. For most companies, CSR has been an instrument for bettering business performance through practices that are unrelated with the business strategies, like charities or PR programs. CSR is a concept that businesses have a responsibility to the community that exists around it.

Corporate social responsibility is considered as a self regulating business growth model that assists an enterprise to be socially responsible - to itself, its stakeholder and the society. By practice CSR, also expressed corporate citizenship, organizations can be aware of the type of effect they are having on all facets of community, comprising financial, societal and environmental.

With the modernization of an incorporated world in the contemporary period there is a multiple raise in the information spreading to the individuals on the economic, socio-cultural and environmental facets of doing businesses. Consequently, across the world, the adverse impacts business practices such as child labors and ecological damage, etc are being identified, with other social and economic problems. The corporate social responsibility has emerged as a vital idea and plan to improve the socio-economic and ecological problems. The present research is a comparative study to finding out the contribution by public and private sector organizations to the socio-economic expansion and safeguard of atmosphere through their CSR activities.

The CSR faction started as responses to advocacy for companies to play an important role in ameliorating social

issues because their monetary power and overarching existence in everyday life. At present, the movement is transforming from its reliance on purely intentional activity to the greater application of laws. The thrust for legalization came because charitable CSR presented issues like free-riding (organizations captivating advantage of benefit without really spending), green washing pose as CSR, and bogus disclosure ^[1].

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CSR in India is as per Companies Act 2013. India is one of the few nations in the world to have a dedicated CSR act. In fact, it is the first to have brought about legislation to execute social responsibility activities, followed by UK.

The indication on the comparative view on CSR amongst public and private sector entities will initiate a conversation among the academics, researcher and policy makers to believe together on varied aspect of C.S.R. There are

successful models of implementation by various companies which have made a sustainable impact at the community level while improving the lives of the grassroots. But it still needs to be practiced by other corporate entities more rigorously by replicating the successful models. The basic objective and purpose is to acquire maximum returns towards the society and thereby donate towards sustainable growth^[3].

Even if, CSR is proved to be abundant so far can't say that it has attained its objects in sum. One of the key causes for this is the deficiency of effectual laws of these provisions. Basically mandating them will not be supportive. One of the major stumbling blocks is finding credible projects that these companies can support under the aim of their CSR needs.

Environmental prejudice is also one of the key reasons for the misuse of social responsibility practices. This discrepancy is owing to the easy reason that most enterprises tend to distribute their funds to projects, which are located shut to where they are based. This finally leads to the industrialization of the arts that are already developed. All the resources get diverted from the backward regions of the nation that are in ardent need of these resources to the expanded fields.

CSR Activities of indian firms

Hindustan Unilever: HUL's CSR viewpoint is embedded in its obligation to its every stakeholder, comprising customers and company staff members, the ecology, and the community the organization functions in. HUL depend on sustainable source of raw material, and is committed to minimize the ecological effect, bettering sustainability throughout the value chains. CSR activities of HUL have got various awards over the years. The BCC awarded HUL the 'Corporate Citizen Award' in 2018-19. HUL was bestowed with a special award for its contribution to the Swachh Bharat Mission and efforts towards successful plastic waste managing by the Ministry of Jal Shakti. Moreover, Project Shakti, the innovative program by HUL C.S.R, awarded the highly commended pioneering venture at the Finance for the Future Award, 2019.

HUL, through its well known brand Lifebuoy soap, spread the messages of washing hands regularly with Soap or Hand washing or Alcohol based Sanitizers to battle against the increase of Corona Virus.

ITC Limited: Recognize that companies are financial organ of community and draws on societal resource, it is ITC's principle that an organization's performance should be determined by its Triple Bottom Line donation to creating economic, societal and environmental capital towards boosting communal sustainability. The Company contributing to rural expansion in great ways. ITC's eChoupal CSR imitative that has become the gold standards on social expansion in global circle. Not only have eChoupal influenced lot of planters over the years via digital education and financial empowerment. It has also been replicated by score of other companies for social wellbeing in their own communities. The company invested more than Rs.326.5 crore on CSR activities in 2019, surpass it spend for 2018. TCS has ongoing social ventures in environmental conservations, organic farming, healthcare, online education, women empowerment, sports, and culture.

Grasim Industries Ltd: The Company has raised its CSR spent by around 45% since the 2020. Grasim's CSR expenditure Rs.84.66 crore in 2021 as against Rs.47.14 crore in 2020 and it ranked 9th among the leading Indian enterprises for Sustainability and C.S.R. The company focuses for schooling, medical, sustainable livelihood, community development, mitigate climate change, etc. Grasim functions 6 company schools with strength of 6,350 students.

Infosys: In the year 2021, the company has spent Rs. 325.30 crore on different ventures and given Rs. 49.50 crore to the Unspent CSR Accounts. The company involved in the fields of safeguard of national heritages, restoration of historical site, and endorsement of art and civilization; care of backward people and rehabilitation; ecological sustainability and ecological balance; education, healthcare, rural development and boosting skills development.

Tata Group: The Tata Group of companies carried out different CSR ventures, most of which are society development and poverty mitigation program. The company also engaged in woman empowerment activity, rural development, farming, ecological protection, infrastructure development and other social wellbeing activities. In education, the company offers scholarship and endowment for colleges and schools. The company provides in medical facilities, like the facilitation of child education, immunization, and formation of consciousness of AIDS.

Constitutional provisions

Expenditure on CSR was not obligatory, and there wasn't a specific provision in the Income Tax Act addressing CSR spending directly. Consequently, companies chose to claim voluntary CSR expenses under various sections such as 35(2AA), 35AC, or under Section 80G of the Income Tax Act. Typically, CSR expenditures were sought to be allowed under Section 37(1) of the Income Tax Act, 1961. In CIT Vs. Wipro Ltd (360 ITR 658) (kar) case the consumption for local area advancement close to its factory, court doesn't discover any nexus for its business activity thus denied such use u/s 37(1).

Section 37 of annual Tax Act, 1961 is a residuary segment which permits derivation of business uses not covered explicitly under section 30-36. Since the acceptability of CSR consumption as business use under Section 37 was not satisfactory due to contrasting Court decisions, the Budget proposition was required to explain something similar, which it did, anyway not in light of a legitimate concern for the corporate area.

the Finance Act, 2014 has embedded an Explanation to Section 37 which is for the evacuation of questions, it is therefore announced that for the motivations behind sub-section (1), any consumption caused by an assesses on the activities identifying with CSR alluded to in Section 135 of the Companies Act, 2013 will not be considered to be a use brought about by the assessee for the reasons for the business or calling."

Be that as it may, according to the Companies (CSR Policy) Rules, 2014 it has been explained in rule 4(1) that CSR spends bars "activities attempted in compatibility of the ordinary course of business of the organization"^[4]

Conclusion

CSR undoubtedly influences our companies, community, and other stakeholders. In spite of its difficulties, the various sustainability practices aim continued, positive effect. CSR policies must work as an integral, self-governing method whereby business would observe and make sure their observance to laws, moral standard and international rules and regulations.

CSR give different advantage to the business-like boosting brand value, trust, and notoriety; new client acquisition and expansion of strong and long-lasting associations with customers; improved capability to attract, encourage and keep the most talented employees; improved monetary performance and the capability to magnetize new resources and influences major stakeholders – like investors, business partner and policy makers.

To conclude, this study, it is addressed that CSR factors for enhancing financial development of any nation. In India, INFOSYS, HUL, Reliance Industries, TATA Group and Grasim Industries are playing a significant part to contribute a role of their considerable revenue to the stakeholders. No firms in this universe contribute towards the community without considering the goals of profit maximization. When organizations contribute an important role of their revenue towards the community, they also generate brand image.

To conclude, business can no longer function with the intention of profit maximization at the expense of the ecology, community, customers and workers. Organizations require to think how they can return to community, and this might assist them magnetize consumers and maintain their best employees. Customer happiness and employee retention are the key to all successful businesses, finally.

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