

Corporate Social Responsibility Issues and Challenges in India

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ABSTRACT

Corporate Social Responsibility (CSR), was first coined in 1953, has gained a lot of attention in the present era of Globalization, involving corporates, educationists and social activists from all over the world. CSR can simply be defined as the commitment by business to enhance economic development, while at the same time improving the quality of life of the workforce, their families and the society at large. The concept has arisen from the fact that the enterprise derives benefits from the society and it is but that they provide them benefits in return. Different areas are available to implement CSR activities to the Corporates. There are challenges like any other project but the corporate houses must take this project on priority. This paper lists challenges while implementing CSR and also suggestions are given for smooth working of CSR.

Keywords : *CSR, business ethics, business organizations, Globalization, CSR Elements,*

1. INTRODUCTION :

Corporate Social Responsibility (CSR) is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered stakeholders. In 1953 with the publication of Bowen's 'Social Responsibility of Businessmen' the phrase Corporate Social Responsibility (CSR) was coined. Further in 1984, the renowned Management Consultant Peter Drucker spoke of the need to turn social problems into economic opportunities. The World Business Council for Sustainable Development (WBCSD) defines CSR as, "The continuous commitment by the business organization to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." CSR can be considered as a comprehensive set of policies, practices and programs that are integrated into business operations, supply chains and decision making throughout the organization. It simply implies the involvement in addressing the legal, ethical, commercial and other expectations which the society has for business and take decisions which balance the claims of all stakeholders.

According to companies Act 2013, clause 135, Companies with an annual turnover of Rs.1000 crore or more; or net worth of Rs.500 crore or more; or net profit of Rs.5 crore or more shall take on CSR. A CSR committee of the board should be constituted which should consist at least three directors, out of whom at least one should be an independent director. The Act encourages companies to spend 2% of their average net profit in the previous three years on CSR activities. The opening up of the Indian economy after 1991 has resulted in the integration of business economy with the global economy. This has exposed Indian business to market competition. CSR is a Company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical. In the Indian Scenario CSR has become increasingly prominent because Organizations have realized that besides growing their businesses, it is also vital to build trustworthy and sustainable relationships with the community at large. Also in India, socio-economic problems are available like poverty, illiteracy, lack of healthcare etc. and the government has limited resources to tackle these challenges. Because of this, doors are open to businesses to contribute towards social development in order to empower the downtrodden people of the society. CSR is important to business since it demonstrates consumer and media that the company takes an interest in wider social issues that have no direct impact on profit margins. These issues may be local, national or global. CSR is useful to maintain government relations, building a positive workplace environment and for social media visibility. CSR is becoming an increasingly important activity to businesses nationally and internationally. According to Lord Holme and Richard Watts "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" .

In recent decades, public expectations of business have steadily increased. While investors still expect firms to maximize profits, the public has become increasingly aware of the importance of the social and environmental impact of businesses. Also as globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. In this present era of globalization as corporations are becoming more aware of their social responsibilities the traditional responses of companies contributing to good causes are dramatically changing from mere philanthropy. For corporations in the developing and underdeveloped countries, bridging the divide (digital, economic, social or environmental) in order to eliminate poverty should be the essence of the social agenda.

CSR is now widely regarded as a legitimate dimension of global corporate decision making. Survey evidence reveals that CSR has become a more important priority for managers and that its importance and legitimacy have steadily increased. Evidence of the increased importance of CSR includes:

- A substantial increase in the number of global firms that produce annual reports on their CSR activities.
- A substantial increase in the number of global firms that have a CSR program.
- A substantial increase in the number of CSR reports that are independently audited.
- A steady increase in the number of corporate codes of conduct. Industry codes now exist for firms in virtually every global sector including chemicals, finance, mining and minerals, tea and coffee, toys, textiles, diamonds, sporting goods, and electronics. These codes have established standards for responsible corporate behavior, primarily with respect to employee rights, working conditions, and environmental impact.

The paper addresses concept of CSR with core elements in CSR policy, areas of CSR initiative by business , challenges faced by CSR and key points for successful implementation of CSR. The topic under

consideration is purely a descriptive one and therefore only secondary sources of data are used. The information has been gathered from authentic books, journals, articles and company's websites have been accessed for the study.

2.CORE ELEMENTS IN CSR :

Business enterprises today are not expected to only play their traditional role of profit making but also have to pressurize companies to act in an economically, socially and environmentally sustainable way. CSR Policy includes following core elements:

- **Care for all stakeholders** :It respects the interests and is responsive to all stakeholders, including shareholders, employees, customers, suppliers and project associated people. They should develop mechanism to actively engage with all stakeholders.
- **Respect for workers Rights and Welfare** : Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills of career advancement on an equal and non-discriminatory basis.
- **Respect for the Environment**: It is concerned with stringent measures to prevent environmental pollution. It is concerned with managing natural resources in a sustainable manner by ensuring optimal use of resources like land and water and promoting efficient use of energy and environment friendly technologies.
- **Activities for Social Development** : It aims to enhance welfare measures of the society based on the immediate and long term social and environmental commitments by providing support directly or through Non Profit Organizations / Voluntary Organizations etc.
- **Corporate Governance** : This would take care of corporate objectives, protection of rights of shareholders, meeting of legal requirements and creation of transparency for all the stakeholders.
- **Business Ethics** : This is related to value based and ethical business practices. Business ethics refers to integration of core values such as honesty, trust, respect of fairness into its policies and decision making. It also involves a company's compliance with legal standards and adherence to internal rules and regulations.
- **Respect for Environment** : Companies should take measures to check and prevent pollution, recycle, manage and reduce waste . It should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water.

In short, business decision making is linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment around the world.

3.AREAS OF CSR INITIATIVE BY BUSINESS :

Today CSR has gone beyond mere charity and donations and has become an integral part of corporate strategy. CSR has emerged as a valuable and necessary strategy to the competitive business environment of today. Factors that promote CSR are globalization, advances in communication, sustainable development, governance, leadership, competitive advantage and ethical culture. In recent years CSR has become a fundamental business practice and has gained much attention from executive management teams of larger international companies. A strong CSR program is an essential element in achieving good business practices and effective leadership. Companies have determined that their impact on the economic, social and environmental landscape directly affects their relationships with stakeholders. CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses, it is also vital to build trustworthy and

sustainable relationships with the community at large. Corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society. Though India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of healthcare etc. are still ubiquitous and the government has limited resources to tackle these challenges. This scenario has opened up several areas for businesses to contribute towards social development. The areas open for CSR initiatives for corporates are discussed below :

- i) Hunger, Malnutrition and Health: Contribute towards eradicating extreme hunger, malnutrition, promoting healthcare and sanitation, and make available safe drinking water and general hygiene for the targeted segment.
- ii) Day Care Center : Establishing day care centers for underprivileged and differentially abled children.
- iii) Education: Promoting education for economically weaker section/migratory construction site workers and their children, monetary and material contributions to academic institutions promoting education for the underprivileged, granting of scholarships and aid to deserving students / youth belonging to the socially/economically backward sections of society with an aim of assisting students in their studies.
- iv) Gender Equality and Empowerment of Women : Promoting gender equality and empowering women.
- v) Care for Senior Citizens: Setting up homes and day care centres for women and orphans; assist/co-partner in setting up of old age homes for senior citizens.
- vi) Environmental Sustainability: Ensuring and encouraging environmental sustainability projects and encourage usage of environmental friendly alternate sources of energy and power.
- vii) National Heritage, Art and Culture: Protecting national heritage, art and culture including restoration of buildings and sites of historical importance and work of art. Participate and contribute towards activities promoting and developing traditional art and handicrafts.
- viii) Adopt Villages : Companies adopt villages with focus on holistic development. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills. It also aims to provide medical check-up and treatment, health camps and health awareness programs in villages.
- ix) Philanthropy: Businesses also practice social responsibility by donating to national and local charities. Whether it involves giving money or time, businesses have a lot of resources that can benefit charities and local community programs.
- x) Rural Development Projects : Strengthening rural areas by improving accessibility , housing , drinking water, sanitation, power and livelihoods and creating sustainable villages.
- xi) Others: In case of any natural calamity/disaster contribute towards Prime minister relief fund or any specific fund maintained by Central/state Government of India; measures for welfare and benefit of armed forces veterans, war widows and their dependents.

4. CHALLENGES IN CORPORATE SOCIAL RESPONSIBILITY :

The survey conducted by Times of India group on CSR used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. The results are as below :

- There is lack of awareness of general public about the concept of CSR. This hampers the incorporation of social responsibility in businesses.
- Since there is a shortage of trained and efficient organizations that can contribute to CSR activities, so there is a need for building up the local non-governmental organizations.

- There are no uniform guidelines to give directions to CSR project.
- Absence of a consensus among implementing agencies regarding CSR projects which results in duplication of activities by Corporate Houses.
- Lack of willingness of companies to indulge themselves in social responsibility activities , so companies programmes do not make a success as expected.
- There is less support from both government and non government agencies to conduct CSR activities.
- Systematic assessment of economic, environmental and social performance and reporting of findings.
- Since non government organizations are unorganized, it becomes difficult for corporate to provide support to local needy people.
- Non-governmental organizations and government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.
- Lack of community participation in CSR activities.

5.KEY POINTS FOR SUCCESSFUL CSR :

In order to materialize CSR initiatives improvements are required right from the grass root level. Various surveys on different aspects of CSR are being done and on the basis of those surveys, few suggestions are listed below to put CSR on firm ground.

- To create awareness among public regarding CSR activities in their area.
- Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.
- Extend CSR initiatives/activities to small, medium and large corporate houses in urban and local areas.
- The Government should encourage special plans to boost corporate so that , the employees and local residents could be benefitted.
- Although CSR is the responsibility of corporate houses, Government must help and encourage by promoting the education related activities by any corporate group.
- To organize workshops or conferences on the subject like labor conditions, sustainability, corporate social responsibility, renewable energy etc.
- At b-schools, CSR as a subject must made compulsory to aware students about social and development issues.
- Reward system to be offered by the government for corporate houses for effectively implementing CSR projects for the poor and the underprivileged area.
- Corporate houses and NGOs should actively involved in pooling their resources and building synergies to implement best CSR practices to scale up projects to reach out to more beneficiaries.

6.CONCLUSION :

In India, corporates have exhibited their ability to make a significant difference in the society and improve the overall quality of life. Corporates have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporates, NGOs and the government will place India's social development on a faster track. In India, only major companies are involved in such CSR programmes and many medium and small industries that are hiding themselves from these duties. Companies need to be mature and realize that they must practice socially conscious policies. Companies must generate awareness to the various stakeholders regarding its contribution to corporate social responsibility through its affiliation with social cause through event management (Mumbai marathon events) & company websites as it is directly related to increase in sales and brand loyalty. Merely initiating CSR is not enough; the company has to work hard on a formal coherent and transparent policy in the field of CSR to become a potential area for development of the society.

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