



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 4.295

(Volume3, Issue3)

Available online at www.ijariit.com

Corporate Social Responsibility in India: Issues and Challenges

V. Kanakalatha

Lecturer, St. John PG College Yellapur

Warangal Dist, Telangana State, India,

lata1126@gmail.com.

Abstract: *The purpose of this article is to provide a broad summary of the value propositions evident in the research on the business case for Corporate Social Responsibility (CSR). Over a last 30 to 40 years, there has been a stable increase in information produced by small and large organizational set ups in relation to their social and environmental impacts. It is very well understood by organizations that govt. alone will not be able to succeed in its endeavor to uplift the downtrodden society for further compulsion of Corporate Social Responsibility (CSR) has filtered the myth that the ultimate goal is not profit making, rather trust building an assertable with societal relationship and only long term survival mantra for any organization. We would try to light on (CSR) of Indian organizations which would be helpful for both economic and social interest. This article is based on the secondary data and focuses on the findings & reviewing of the issues and challenges faced by Indian organizations with respect to Corporate Social Responsibility (CSR). Stockholders demand that corporate operations are managed efficiently and that improved market value reward their investments. Companies Act 2013, brought an end to the long run discussion on CSR practices by the corporates. The journey of CSR as a corporate responsibility has two broad perspectives, pre Companies Act 2013 and post Companies Act 2013. CSR policy is still in a nascent stage and faces a number of challenges. The Union Budget 2015 clarified that any expenditure on the Swatch Bharat Abhiyan is to be claimed as deduction u/s 80 G and not under CSR. Thus, Indian law on CSR still awaits clarification on many areas wherein claiming deduction u/s 80, exemptions from tax and treating it as CSR all are in existence.*

Keywords: *Corporate Social Responsibility (CSR), growth and development, issues and challenges, Social & Environmental developments, Economic growth.*

INTRODUCTION

The importance of CSR emerged significantly in the last decade and is becoming an increasingly key activity to businesses nationally and internationally. Over the time, CSR stretched to both social and economic interests and also broadened to cover social as well as economic interests. Companies now become more transparent in accounting and other activities due to pressure from the various interest groups of the society. It is obligatory for companies to behave in ethical and responsible manner towards the various interest groups of the society and environment. Companies started incorporating their CSR projects in their annual reports also.

CSR is the gateway to understanding a number of firm-related and societal issues and responding to them as per their business strategy. On the other hand, there is a universal and prominent view on protecting the environment and the various interest groups of the society. As globalization accelerates and large companies serve as global providers and have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. Growing economies like India have also witnessed a number of firms actively engage in CSR activities, and the Ministry of Corporate Affairs has also come up with guidelines for firms to follow. In core, it is all about structuring sustainable businesses, which require healthy economies, markets, and communities. The key drivers for CSR are progressive self-interest, Social investment, transparency, trust and increased public expectations of business.

The concept of CSR is not new in India. It has found its existence since Vedic times. Various teachings, values and the culture depicted through epics like Bhagwad Gita, Ramayana, Mahabharata along with Vedas, Artha shastras etc focus on the existence of the concept of ethics in Indian value system.

At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organizations. At the other end, it can be a way of doing business that has a major impact on society. For this latter vision to be enacted in India, it will be necessary to build CSR into a movement. That is to say, public and private organizations will need to come together to set standards, share best practices, jointly promote CSR, and pool resources where useful. An alliance of interested stakeholders will be able to take collective action to launch CSR as an integral part of doing business – this is not a passing trend. There are more than 1,000,000 registered companies in India out of which less than 1 percent companies are traded on the

Indian Stock Exchange. A new Trend has started in Corporate is the establishment of special committees within the board of directors to oversee CSR activities. Groups of corporate are being encouraged to come together to promote CSR. In 2006, Europe created the European Alliance for CSR. It currently consists of 70 multinational corporate houses and 25 national partner organizations and has become a unique resource for building potential in CSR.

OBJECTIVES OF THE STUDY

The main objectives of this study are to study the status of CSR in India and the issues and challenges faced by CSR in India.

1. To understand the concept of CSR.
2. To determine the challenges in the execution of Corporate Social Responsibility.

RESEARCH METHODOLOGY

This research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into the objectives of the study the research design employed for the study is descriptive research design. This research design was adopted to have greater accuracy and in-depth analysis of the research study. Secondary data have broadly used for the study of Information from different news articles, Books and Web sources are used which are recorded and enumerated.

REVIEW OF LITERATURE

There are many obstacles which are emerging while considering successful CSR strategies in making a business case for CSR, complexity in integrating CSR with organizational values and practices, the lack of organizational buy-in and assurance to CSR. Another factor which hinders CSR is the lack of time and financial resources. When an organization finds it difficult to make a business case for CSR or its association with core organizational operations, it will be averse to commit and allocate resources or time to such practices. Moreover, these obstacles also point to another set of findings in the report: respondents view CSR more so as a means to manage regulatory impacts, reduce risk, and respond to stakeholders concerns, and to a lesser extent as a strategic source of competitive advantage.

McWilliams (2002) states that CSR strategies, when backed by political framework & strategies can be used to develop strong firm with long-term competitive benefits. According to Baron (2001), the use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy.

CURRENT STATUS OF CSR IN INDIA

Corporate Social Responsibility (CSR) the corporate belief that a company needs to be responsible for its actions: socially, ethically, and environmentally. CSR has become the need of growing business. Businesses need to practice their activities to get a good image. Big corporates like Reliance Industries, Tata Group, Aditya Birla Group, The Coca-Cola Company, and Indian Oil Corporation are involved in serving the community. These corporates are fulfilling their responsibilities towards the society. Many other organizations have been doing their part for the society through donations and charity events. Today, CSR in India has gone beyond merely charity and donations and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that formulate specific policies, strategies, and goals for their CSR programs and set aside budgets to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the company's business expertise. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc. CSR activities performed by the corporate giants lacked specific guidelines about their measuring yardstick, investment parameters, areas to be covered for CSR activities etc. With the span of time India became an opened economy from a closed economy, all due to the LPG movement launched in India in the year 1991. Since time immemorial CSR as a term lacked a precise definition, structure, criteria's and transparency. All Central Public Sector Enterprises (CPSE) were following the CSR guidelines issued by the Director of the Ministry of Heavy Industries and Public Enterprises since 2010. However the Companies Act, 2013 brought an end to the long wait by inserting sec 135 under the Companies Act 2013.

DRIVERS FOR PERFORMING CSR ACTIVITIES

Role of Government

Governments since decades have been performing the role of implied authority for various CSR activities performed by the corporates. On the other hand, Corporates believe that CSR is a peripheral issue for their business and customer satisfaction more important for them. With the implementation of Companies Act 2013, Sec 135, the government has performed their responsibility, however only partially. CSR as a responsibility to be discharged requires strong implementation in the first instance.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations. More emphasis is on performing CSR activities in order to give wider disclosure before the stakeholder group and achieve recognition through brand building and customer loyalty.

BEST PRACTICES FOLLOWED BY INDIAN COMPANIES RELATED TO CSR ARE AS FOLLOWS

ONGC and Indian Oil Corporation - ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. In 2007-08 Rs. 246.70 crores were spent by oil PSUs on CSR activities. ONGCs CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.

SAIL - SAIL has taken successful actions in environment conservation, health, and medical care, education, women up liftman providing drinking water.

Reliance Industries

Reliance Industries initiated a project named as “Project- Drishti” to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far. - Reliance Power in its continuous efforts to positively impact the society, especially the areas around its sites and offices, has formulated policies for social development that are based on the following guiding principles: Adopt an approach that aims at achieving a greater sense of balance between social development and economic development. Adopt new measures to step up and ensure the basic needs of all people. Work towards the elimination of all barriers to the social inclusion of disadvantaged groups such as the poor and the disabled Give unfailing attention to children for in their hands lies the country's future. It is for their sake that health, education, and environment get topmost priority in our programs and investments.

- **Need To Build Local Capacities** There is a need for capacity building of the local nongovernmental organizations as there is a serious dearth of trained and efficient organisations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.
- **Issues of Transparency Lack of transparency** is one of the key challenge for the corporate as there exists lack of transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This negatively impacts the process of trust building among the companies which is a key to the achievement of any CSR initiative.
- **Non-Availability Of Well Organized Non-Governmental Organizations** There is no availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities.

Few Corporate Initiatives related to CSR

Organizations like Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, focus holistic development in the villages they have adopted. 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.

Reliance Industries initiated a project named as “Project- Drishti” to bring back the perception of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.

GlaxoSmithKline Pharmaceuticals’ CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-ups and treatment, health camps and health awareness programs.

Oil & Natural Gas Corporation offers community-based health care services in rural areas through 30 Mobile Medicare Units (MMUs). The ONGC-Eastern Swamp Deer Conservation Project works to protect the rare species of Easter Swamp Deer at the Kaziranga National Park in Assam.

CSR: OPINIONS OF VARIOUS INDIAN CORPORATES

Dr. Abdul Kalam, former President of India (2012): Sustainable development refers to a mode of human development in which resource use aims to meet human needs while preserving the environment so that these needs can be meet not only in present but also for the generations to come.

Azim Premji, Chairman of Wipro Limited, (1998): Corporate Social Responsibility aims at fundamental social development. In the Indian context, it means an attempt to realize the vision of just, humane and equitable society and where every action, however small, is driven by this larger vision, that is a genuine social action.

Ratan. J. Tata, Chairman, Tata Group: The developing world has two options. The first is to sit back and react when a problem arises. The second is to act as a cognizant citizen and rise above our vested interest for the sake of future generation so that the history does not records that we have deprived them of their livelihood.

Narayana Murthy, Infosys Founder (2012): Corporate social responsibility is to create maximum shareholder value working under the circumstances, where it is fair to all the stakeholders, workers, consumers, community, government and the environment

ISSUES AND CHALLENGES

Clearly, society expects many things from the corporate sector. Enterprise is being asked to move beyond the commercial sphere. Different stakeholders place unreliable demands on organizations. Such demand varies over time and in different contexts. The primary expectation centers on wealth creation or profit function of the enterprise. But this is not the only expectation. Beyond, this, consumers continue to demand products that are safe, reliable and useful, services that are responsive to the changing needs, and advertising that is honest and informative. The public at large expects business to help project the physical environment and the health and safety of all those who are exposed to dangerous technologies or substances. Issue such as corporate power and corporate compliance, corporate activities and corporate disclosures of information will continue to concern an increasing number of people in the community. Clearly, the emerging multipurpose corporations will demand versatile goals and synergistic policies that accomplish more than a single goal at a time. This compels organizations to develop new measures of performance. Instead of focusing on the single bottom line of profits as in the past, organizations are expected to focus attention on multiple bottom lines-social, environmental, political and ethical which are all interrelated.

Now, since the Companies Bill has become an Act, around 8,000 companies in India – including private and public companies need to focus on planning, designing and implementing CSR initiatives pertain to areas, such as, care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, environment and social and inclusive development etc. The practical implementation of CSR is faced with a lot of issues and challenges. As a result, there are several key challenges, which are anticipated.

Many companies think that corporate social responsibility is a secondary issue for their business and customer satisfaction is more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as a social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include:

The Shrinking Role of Government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the discovery of voluntary and non-regulatory initiatives instead.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

There is an evidence that the moral conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environs International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

Growing Investor Pressure

Investors are changing the way they assess companies' performance and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environs International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

Competitive Labour Markets

Employees are increasingly looking beyond paychecks and benefits and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Supplier Relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Dr. Ratnam said that the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprise's expectations can also differ. A CSR project can begin in response to a crisis or adverse publicity that a company may suffer. The motive for launching CSR can vary between philanthropy or notions of corporate citizenship. In India, over time, the expectations of the public has grown enormously with demands focusing on poverty alleviation, tackling unemployment, fighting inequality or forcing companies to take positive action. The historical driver of CSR has been philanthropy or a sense of ethics. After the Second World War, a variety of national and international regulations arose through bodies such as the International Labor Organization (ILO) emphasizing the need for an active social policy for transnational companies (TNC's). This additional driver, international institutions, has significance for India through the work of the ILO, the OECD, Socially Responsible Investment (SRI), the SA8000 Social Accountability scheme and through the work of the UN Commission on Human Rights which tackled the human rights responsibilities of TNC's. In India, some public sector companies can spend up to 5% of their profits on CSR activities. Pressure groups have been quite successful in inducing companies to fund CSR schemes, even to the point of using kidnapping as a tactic! Forms of CSR differ according to the country or region. In Europe, for example, notions of CSR probably developed out of the Church and a sense of ethics. In India, CSR has evolved to encompass employees, customers, stakeholders and notions of sustainable development or corporate citizenship. In transnational companies, the approach to CSR typically emerges from one of three elements including a decentralized strategy (which might examine human rights), a centralized strategy (which would be company-wide) or a globally integrated strategy (which would include Coca-Cola or oil companies - where local actions can impinge globally). 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 the questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally, 82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. The respondent organizations form a satisfactory percentage of 33 percent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey. The survey elicits responses from participating organizations about various challenges facing CSR initiatives in different parts of the country. Responses obtained from the participating organizations have been collated and broadly categorized by the research team. These challenges are listed below:

Lack of Community Participation in CSR Activities:

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

Need to Build Local Capacities:

There is a need for capacity building of the local non-governmental organizations as there is a serious deficiency of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

Issues of Transparency:

Lack of transparency is one of the key issues brought into view by the survey. There is an expression by the companies that there exists a lack of transparency on the part of the local implementing agencies as they do not make enough efforts to disclose information on their programs, audit issues, impact measurement and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

Corporate Initiatives

In order to control its CSR initiatives and make the strategy sustainable, an organization must possess a high level of advanced capability of organizational learning and sustainable innovation to learn and innovate on a sustainable basis. These are critically important attributes which are critical for building sustainable business models that will result in a future sustained competitive advantage. CSR initiatives are implemented by companies, usually in partnership with Non-governmental organizations (NGOs) who are experienced in working with the local communities and are knowledgeable about local conditions and are experts in tackling specific social issues specific to the area. From responsive activities to sustainable initiatives, corporations have clearly demonstrated their ability to make a significant difference in the society and improve the overall quality of life. In the present social environment, change is required on an enormous scale. Corporations can apply their expertise, strategic thinking abilities and manpower and money material resources to facilitate extensive social change. Organizations like Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, focus holistic development in the villages they have adopted. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-sufficient by teaching them vocational and business skills. On the other hand, GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-ups and treatment, health camps and health awareness programs. They also provide money, medicines, and equipment to non-profit organizations whose work that work towards improving health and education in under-served communities.

KEY LEARNING ISSUES

Corporate Competitiveness, as addressed by strategic management, is a subject not often discussed in the context of corporate responsibility. However, unless all strands of corporate responsibility are brought together under a common management framework, CSR and its sustainability will remain a peripheral activity and its impact is likely to remain well below required levels to achieve the Millennium and related goals. Corporate Governance must establish the legal framework which will protect a company's stakeholders, the relative emphasis being dependent on national models. CSR is aimed at extending the legal requirements to promote the ethical practice, philanthropy, and social reporting to satisfy stakeholder concerns. Corporate sustainability must focus on the long-term economic and social stakeholder expectations both by optimizing their sustainability performance and by participating in networks with governments, NGOs, and other stakeholders. Such an arrangement will significantly improve the capacities of all stakeholders and lead to faster and more sustainable development.

CONCLUSION

As society is getting more concerned about the working policies of the companies. Society expectations are increasing towards the social development by the companies. So, it has become necessary for the companies to practice social responsibilities to increase their image in the society. Even though companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR. There are people who claim that Corporate Social Responsibility underlies some ulterior motives while others consider it as a myth. The reality is that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the primary objective of all business is only to help people. CSR cannot be an additional extra - it must run into the core of every business ethics, and its treatment of employees and customers. Thus, CSR is becoming a fast-developing and increasingly competitive field. The case for demonstrating corporate responsibility is getting stronger as expectations among key opinion formers, customers and the public are increasing. Being a good corporate citizen is increasingly crucial for commercial success and the key lies in matching public expectations and priorities, and in communicating involvement and achievements widely and effectively. The concept of corporate social responsibility is now confidently rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time. This awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health

care and livelihood opportunities for a large number of people in India through their innovative CSR. It is noted that the Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged. Incentives to be offered to the private sector to strengthen their good work must include a formal partnership with the local administration, easy grant of 12A, 80G and Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects. This will be instrumental in encouraging enhanced voluntary participation of a greater number of corporate houses in CSR activities.

Company Benefits Improved financial performance;

- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability

.Benefits to the Community and the General Public

- Charitable contributions;
- Employee volunteer programs;
- Corporate involvement in community education, employment, and homelessness programs;
- Product safety and quality.

Environmental Benefits

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle
- Assessment and costing, environmental management standards, and eco-labeling.

In 67 years of independent India, but we still haven't experienced a real economic growth and development. The government plans take a long time to get implemented and the policies are highly skewed. If the corporate houses choose to intervene, perhaps, the day won't be far when India can boast of a real economic boom. The world map of happiness survey 2006, gave India 180 points. The only one reason, where it lagged behind other countries, was its inability to provide its people with basic education, healthcare, and reduce poverty. Every country should embrace the remarkable concept of individuals and businesses forming a partnership to support social causes. A successful modern Indian company also needs to be well managed, with a corporate culture that promotes integrity

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