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Original Research Paper

CSR ACTIVITIES AND THE PROBLEMS FACED BY COMPANIES IN INDIA

Management

KEYWORDS: CSR, Societal development, Sustainability.-

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ABSTRACT

- Earlier CSR was the voluntary step undertaken by Corporatism. However, today the concept of CSR has gone beyond charity, it has become the integral part of business where the objective is to contribute toward societal development and stakeholders. As per new act passed by parliament, CSR activities has become mandatory for all profitable organization where companies has to spend at least 2 percent of their average net profit. Corporate formulate their specific policies, strategies and goals for their CSR programs. In this context, this paper scrutinize corporate spending on CSR activities and the problems faced by Indian companies.

INTRODUCTION

Sustainability is not only necessary for survival of people and planet. It also play important role in endurance of business in this competitive environment and its success. With the adoption of global changes in Indian Economy, society is suffering from the problem of poverty and climatic changes. While on the other side, new technology, bring social awareness among consumers with the expectation that corporate must perform its duty ethically while dealing with them. Even many organizations also put efforts to become a good citizen and put positive image of the business in the mind of consumers. Organization realizes that their involvement in activities like economic, social, environmental and human rights has wider impact on society. Thus, they are taking up CSR initiatives and integrating them in business process. Earlier CSR activities was voluntary step taken by business but under the new clause 135 of the act, profitable companies whose annual turnover is Rs. 1000 crore or net profit is 5 crore or more must spend at least 2% of their average profit in the last three years for CSR activities. Some of these activities include eradication of poverty, gender equity, women empowerment, improvement in maternal health, improving maternal health, environment sustainability and so on.

CSR EXAMPLES

There are many organizations in India taking up CSR initiatives. Some of the examples are given below:

Tata Group has wide range of CSR projects. TATA established TATA Steel plant in Jamshedpur and built quarters for the employees, Schools for the employee's children, Roads for transportation, temples, etc. This group is actively involved in community improvement programs like maternal and child health services, family planning, improving the environment around industries.

Aptech Ltd was well known for providing and fostering education throughout the country. This company believes that education is the integral part of society and work especially for under privilege people by organizing training camps, which helps in bringing awareness amongst these peoples. It also provides basic education to deprived people with the joint efforts of NGOs.

In the year, 1996 Infosys came into existence with the objective of providing community services to poor people and performed in the areas of employment, healthcare, education and other related welfare services.

On the other hand, IT companies like Wipro, TCS also contributing in the field of education sector. This company focus on computer based literacy program by developing software, which help teacher and students in school.

Cipla has carried out various CSR activities by making quality medicines at affordable prices.

A joint initiative of Reliance Ltd and National Association of Blind has introduced "project Drishti" which bring light in lives of over 5500 visually challenged poor people of society.

REVIEW OF LITERATURE

The main objective of business is to earn profit but the corporation responsibility towards it society should not be ignored. As income is generated from society, keeping this thing in mind, the fundamental objective of all the business should to help people by a way of participating in CSR activities. Experts in the related field give the following reviews.

The study of Lantos Geoffrey P. (2001) made the discussion on four components of CSR along with the role of business towards its society with the inclusion of profit making concept and community welfare activities.

The study of Simeon Scott (2007) focused on 5 subject area including responsibility of corporate toward communities and society, alleviating in poverty and discrimination, promoting democracy, ethical behaviour and employee rights.

According to Gabriel Juan (2009) the success of social responsibility program depends upon corporate ability to create link between CSR activities of organization and it performance to different stakeholders and public awareness. His paper also emphasise on involvement of business organization in corporate social responsibility issues. At present scenario, CSR is necessary for sustainable development (Khanna, Parul 2011).

The study of Dean Roy Nash (2012) discuss about CSR contributions of Maharatna Companies of India. The study also found that Indian corporate sectors are becoming difficult as CSR spending has become mandatory.

Sarita Moharana (2013) found in her study that although there is direct involvement of banks in CSR activities especially in the field of Education, community welfare, and rural development but banks are restricted within the limits.

Vivek Wankhede (2014) in her paper revealed that there is no significant difference in CSR spending and transparency score of public and private sectors companies. This can assist policy makers by ensuring that Indian companies can increase CSR spending and can be more transparent in the disclosure of business responsibility report.

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From the past studies, it has been seen that participation of Indian companies in CSR activities is less. The present study try to put emphasis on CSR spending by Indian companies and the problems faced by the companies.

OBJECTIVES

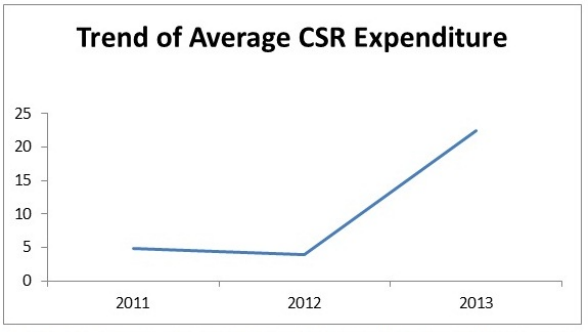
1. To find out the problems faced by organization participating in CSR activities.

RESEARCH METHODOLOGY

This study is descriptive in nature and is based on secondary data. The secondary data is collected through journal, articles and reports.

ANALYSIS

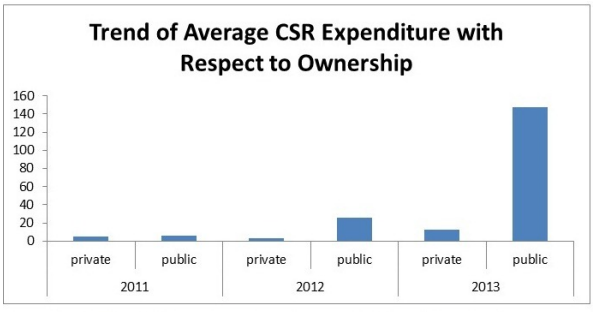
The new company act passed by parliament in the year 2013 is the turning point where business are for business are pressurized from social and government organization to contribute in welfare activities. The below figure shows the CSR expenditure incurred by firms during last three years using firm level data prowess i.e. Prowess
(Centre for Monitoring Indian Economy).



X-axis: Year; Y-axis: Average CSR expenditure of all firms (in million rupees)
Source: Calculated by the authors using Prowess data for the year 2012-13.

Figure No. 1:m Trend of Average CSR Expenditure

Prior 2012-13, it was not mandatory to spend on CSR activities, it has been seen that that the average CSR expenditure by the firm is very less. However, with the enforcement of act in August 2013, there has been seen the significant increase in CSR activities by the firms as compared to previous year.



X axis: Year and Ownership; Y-axis: Average CSR expenditure (in million rupees)
Source: Calculated by the authors using Prowess data for the year 2012-13

Figure No. 2: Average CSR Expenditure with respect to ownership

It has been seen in the above figure that trend of average CSR expenditure incurred by the public sector firms increased significantly in 2012-13. The expenditure incurred by public sector firms in 2012 is Rs. 25.72 millions, which is increased to 147 millions in the year 2013.

PROBLEMS

Less involvement of Community in CSR activities

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is due to the fact that there exists little or no knowledge about CSR within the local communities. So, no serious efforts have been made to spread awareness about CSR in communities about such initiatives.

Issues of Transparency

There exists lack of transparency on the part of the local implementing agencies, as they do not make proper efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. Due to this, lack of transparency was reported which further negatively impact 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.

Non-availability of Well Organized Non-governmental Organizations:

To assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities but it was reported that there is non-availability of well organized non-governmental organizations in remote and rural areas. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

Narrow Perception towards CSR Initiatives

Due to narrow outlook of Non-governmental organizations and Government agencies towards the CSR initiatives of companies, they find it hard to decide whether they should participate in such activities at all in medium and long run.

Non-availability of Clear CSR Guidelines

It is found that the scale of CSR initiatives of companies should depend upon their business size and profile but there are no clear-cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. In other words, the bigger the company, the bigger is its CSR program.

RECOMMENDATION

1. To make CSR activities more effective there is a need to create awareness among public. This awareness generating program can be initiated by stakeholders to highlight the good work taken by corporate house so that other business houses get motivated and contribute in the same area.

2. It has been seen that private sectors generally focus on issues related with disaster management, education, health etc. without involving government. Therefore it is recommended that joint efforts should be made by Government, Non Government and private sectors in the relate areas.

3. CSR programs should be taken in rural as well as urban areas. It should reach to poor and needy people who actually need and get benefitted by this program.

4. CSR programs should be made mandatory in schools, colleges/universities so that youth can also become aware about this program and participate in such activities.

CONCLUSION

CSR in India is at budding stage. Large number of companies realizes that Government alone could not be able to get success in the upliftment of society therefore; these companies are undertaking CSR activities. Corporate have expertise, decision-making skills, work force etc. if these resources are utilized optimally with the effective partnership with NGOs and government then societal development would be on faster track**.** To increase its reach in remote areas, the Indian corporate sector are planning to introduce CSR in the small and medium enterprises (SME) sector. Most of the companies throughout the world had accepted that business is not just for making money and this is evident through their involvement in various community developmental activities.

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