



## CORPORATE SOCIAL RESPONSIBILITY: ISSUES AND CHALLENGES IN INDIA

## Management

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## INTRODUCTION

The idea of CSR first came up in 1953 when it became an academic topic in Social Responsibilities of the Business. Since then, there has been continuous debate on the concept and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition.

One of the most contemporary definitions is from the World Bank Group, stating, "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development.

In order to assist the businesses to adopt responsible governance practices, the Ministry of Corporate Affairs has prepared a set of voluntary guidelines which indicate some of the core elements that businesses need to focus on while conducting their affairs. These guidelines have been prepared after taking into account the governance challenges faced in our country as well as the expectations of the society. The valuable suggestions received from trade and industry chambers, experts and other stakeholders along with the internationally prevalent and practiced guidelines, norms and standards in the area of Corporate Social Responsibility have also been taken into account while drafting these guidelines.

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board.

The CSR Policy should normally cover following core elements:

**1. Care for all Stakeholders:**

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

**2. Ethical functioning:**

Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

**3. 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 for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

**4. Respect for Human Rights:**

Companies should respect human rights for all and avoid complicity

with human rights abuses by them or by third party.

**5. Respect for Environment:**

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

**6. Activities for Social and Inclusive Development:**

Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

**Notable Work by Some Companies****Ashok Leyland**

Operates a FunBus in Chennai and New Delhi. This bus, equipped with a hydraulic lift, takes differently abled children and those from orphanages and corporation primary schools on a day's picnic. The company also runs AIDS awareness and prevention programmes in its Hosur factories for about 3.5 lakh drivers.

**Axis Bank**

The Axis Bank Foundation runs Balwadis which are learning places for children living in large urban slum clusters. It also conducts skill development programmes (PREMA and Yuva Parivartan) in motor driving, welding, mobile repairing, tailoring etc, for the youth in backward districts.

**Bharat Petroleum Corporation**

Its rain water harvesting project Boond, in association with the Oil Industries Development Board, selects draught-stricken villages to turn them from „water-scarce to water-positive“. Some of BPCL's other social programmes include adoption of villages, prevention and care for HIV/AIDS and rural health care.

**Hindalco Industries**

Its CSR activities are concentrated in 692 villages and 12 urban slums, where it reaches out to about 26 lakh people. It has constructed check dams, ponds and bore wells to provide safe drinking water. In education, it awards scholarships to students from the rural schools it support. Its other interests include women's empowerment and health care, in which it treats patients in hospitals, runs medical camps and operates rural mobile medical van services.

**Indian Oil Corporation**

It runs the Indian Oil Foundation (IOF), a non-profit trust, which works for the preservation and promotion of the country's heritage. IOCL also offers 150 sports scholarships every year to promising youngsters. Some of its other initiatives lie in the domains of clean drinking water, education, hospitals and health care.

**Infosys**

The Infosys Science Foundation, set up in 2009, gives away the annual Infosys Prize to honour outstanding achievements in the fields of science and engineering. The company supports causes in health care,

culture and rural development. In an interesting initiative undertaken by it, 100 school teachers in Karnataka, who were suffering from arthritis, underwent free surgery as a part of a week-long programme.

### **Mahindra & Mahindra**

Nanhi Kali, a programme run by the KC Mahindra Education Trust, supports education of over 75,000 underprivileged girls. The trust has awarded grants and scholarships to 83,245 students so far. In vocational training, the Mahindra Pride School provides livelihood training to youth from socially and economically disadvantaged communities. M&M also works for causes related to environment, health care, sports and culture.

### **Oil & Natural Gas Corporation**

It 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 Eastern Swamp Deer at the Kaziranga National Park in Assam. ONGC also supports education and women empowerment.

### **Tata Consultancy Services**

Its Computer Based Functional Literacy (CBFL) initiative for providing adult literacy has already benefitted 1.2 lakh people. The programme is available in nine Indian languages. Besides adult education, TCS also works in the areas of skill development, health care and agriculture.

### **Tata Steel**

It comes out with the Human Development Index (HDI), a composite index of health, education and income levels, to assess the impact of its work in rural areas. Health care is one of its main concerns. The Tata Steel Rural Development Society aims to improve agricultural productivity and raise farmers' standard of living.

### **Benefits of CSR**

1. Win new business.
2. Increase customer retention.
3. Develop and enhance relationships with customers, suppliers and networks.
4. Attract, retain and maintain a happy workforce and be an employer of choice.
5. Save money on energy and operating costs and managing risk.
6. Differentiate yourself from your competitors.
7. General innovation and learning and enhance your influence.
8. Improve your business reputation and standing.
9. Provide access to investment and funding opportunities.
10. Generate positive publicity and media opportunities due to media interest in ethical business activities.

### **OBJECTIVES**

To study the Issues and Challenges of CSR in India.

### **RESEARCH METHODOLOGY**

The research design adopted for the study was to have an in depth analysis. Available secondary data with reference to various research articles, books and websites were extensively perused for the study. The researcher procures the required data through secondary survey method.

### **FINDINGS & DISCUSSION**

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction 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 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 exploration 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 evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics 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 Environics International revealed that more than a quarter of share-owning

### **Competitive Labour Markets**

Employees are increasingly looking beyond pay checks 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 the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprises expectations can also vary. 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 affirmative action.

Responses obtained from the organizations have been collated and broadly categorized.

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 instil 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 serious dearth 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 forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment 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.

- **Non-availability of Well Organized Non-governmental Organizations:**

It is also reported that there is non-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. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

- **Visibility Factor:**

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

- **Narrow Perception towards CSR Initiatives:**

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.

- **Non-availability of Clear CSR Guidelines:**

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

- **Lack of Consensus on Implementing CSR Issues:**

There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

## CONCLUSION

Given the above, we propose in our article that it is important to devise a new measure for evaluating the effectiveness of firm's CSR so that the motivation for doing CSR does not remain only economic, but moves towards ethical/ideological imperative. Moreover, the new measure should not be input driven, but more output and process driven.

Section VII of the Companies bill lists the following activities that qualify as CSR initiatives:

- Poverty eradication
- Promotion of education, gender equality, and women empowerment
- Reducing child mortality and improving maternal health
- Combating AIDS/HIV, malaria, and other diseases
- Ensuring environmental sustainability
- Employment-enhancing vocational skills and social business projects.
- Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities, and women.

Since companies are now mandated to stick to the above list of activities, CSR Impact Index that proposed by Ramendra singh (2013) to measure the effectiveness of firm's CSR should measure if the activities carried out by the firms are not merely done for compliance, but created net positive socio-economic impact.

### Normative guidelines to measure CSR Impact Index (CSRII):

- Does the CSR activities carried out as per the recommendations of the firms' CSR committee and CSR policies?
- Do the local communities that are the targeted beneficiaries (TB) require these CSR activities?
- What forms of partnerships were developed or used for these CSR activities?
- What is the social impact of the CSR activities (on TB)?

v. What is the economic impact of the CSR activities on TB?

vi. What is the ROI of the CSR activities?

vii. Is the CSR impact sustainable?

## RECOMMENDATIONS

In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, the recommendations of the survey are firm indications of the existing state of affairs in the CSR domain; they correspondingly call for necessary and appropriate steps to be initiated to put CSR on firmer ground. Keeping in view the broad results of the survey, the following recommendations are listed for serious consideration by all concerned stakeholders for their effective operationalization to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

There is a need to develop a strategic approach to CSR based on understanding of the impacts and the tipping points in resource shortage or price rises

There is need to enhance the initiatives through CSR by Indian companies especially in the Education and Environment Protection CSR initiatives will help in enhancing brand image

Through CSR it is possible to presents an opportunity to demonstrate corporate values, distinctiveness, and employee brand as well as deliver governance .

- Awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area.
- Appropriate steps to be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives for a long term and sustainable perspective on CSR activities.
- To address the issue of reaching out to wider geographical areas, the involvement of small and medium enterprises (SMEs) in the CSR domain will be essential. It is recommended that a campaign should be launched to both spread awareness on CSR issues amongst the general public as well as to involve SMEs to participate more actively in CSR initiatives.
- Corporate houses and non-governmental organizations should actively consider pooling their resources and building synergies to implement best CSR practices to scale up projects and innovate new ones to reach out to more beneficiaries.
- While focusing on urban areas, it is recommended that companies should also actively consider their interventions in rural areas on education, health, girl child and child labor as this will directly benefit rural people.
- Incentives to be offered by the Government to the private sector to strengthen their good work must include a formal partnership with 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 greater number of corporate houses in CSR activities.
- It is noted that CSR as a subject or discipline should be made compulsory at business school and in colleges and universities to sensitize students about social and development issues and the role of CSR in helping corporate houses strike a judicious balance between their business and societal concerns.
- It is recommended that an accreditation mechanism should be put in place for companies through an independent agency for mainstreaming and institutionalizing CSR in the main business framework of the companies.
- The companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility. This alliance, representing various industry interests, should take up broad development agenda and provide high value services to the poor and the underprivileged. Over the years, the alliance would grow into a special purpose vehicle (SPV) and work closely with stakeholders to raise the level and quality of CSR interventions.

There are already such models available in different industry segments

both within the country and overseas; all that is needed is to identify and leverage these models to set up a national platform for effective thought alignment between companies and other stakeholders, in order to redefine CSR practices in India.

The role and efforts of the private sector in taking development agenda forward with focus on education, health, environment, livelihood, women empowerment, disaster management to mention a few have been visible and effective. Some innovative models are also available of private sector interventions in these areas. In order to push the development agenda in a mission mode, it is recommended that realistic and operational models of engagement between all three important stakeholders – the Government, the non-governmental organizations and the private sector – are jointly explored and addressed.

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