

CORPORATE SOCIAL RESPONSIBILITIES IN INDIA – ISSUES AND CHALLENGES

Dr. Shrikant L. Patil

Assistant Professor and Research Guide in Commerce

G.P. Porwal Arts, Commerce and V.V. Salimath Science College, Sindagi, Vijayapur, Karnataka

Abstract

In India CSR is in a very much budding stage. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs. Large no. of companies is undertaking these activities superficially and promoting/ highlighting the activities in Media. This research paper focuses on the finding & reviewing of the issues and challenges faced by CSR activities in India.

Keywords:

Corporate Social Responsibility, Advantages, Issues, Challenges and Recommendation

Introduction

In a societal structure, we have many stakeholders, one among them are companies or Corporate Houses. These Corporate houses are meaningfully contributing from their kitty which impact their internal stakeholders and also open underhandedly support societal initiatives. In India companies like TATA and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country. As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. It is expected that Civil society, activist groups, Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. The success of CSR lies in practicing it as a core part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results.

Definition of CSR

The well accepted definition of CSR is not a common term; MNC's prefers sustainable development or sustainable business while several Indian companies talk about responsible business or Triple P (People, Planet, and Profit). It is

important to note that Indian companies and stakeholders give a broader definition of CSR than MNC and stakeholders. According to the Indian Corporate: "Sustainable development implies optimizing financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and environment". 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 devise 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 companies' business expertise. A handful corporate houses are dedicated and practicing the CSR as they are dictated by the very basis of their existence. It is observed that many companies are promoting their CSR activities and uses it as a tool for Marketing. This denotes that the companies are far from perfect as the emphasis is not on social good but rather as a promotion policy.

Objectives

The Present paper is basically concerned with the following objectives.

- To study the Issues and Challenges for CSR in India.

CSR Strategies Focusing on Protection rather than Competitive Advantage

A CSR strategy that is focused on avoiding regulatory liability and maintaining a license to operate in the current business will neither lead to current competitive advantage nor an imagination of future business models. Managing regulations, risk and legitimacy (license to operate) is also reflected in the main capabilities emphasized by the respondents: ethical behavior, social accountability and stakeholder engagement. In order to leverage its CSR/sustainability strategy for competitive advantage, an organization needs the advanced capabilities of organizational learning and sustainable innovation. These two capabilities are critical for building sustainable business models that will lead to future sustained competitive advantage. In the article on Corporate

Social Responsibility in India – Putting Social-Economic Development on a Fast Track by Ramya Sathish mentioned that many CSR initiatives are executed by corporate in partnership with Non-governmental organizations (NGOs) who are well versed in working with the local communities and are experts in tackling specific social problems.

Issues & Challenges in CSR

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 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.

Challenges in CSR

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.

Recommendations in CSR

• It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. 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 practices. Thus, the social justice agenda of the day would be fulfilled more meaningfully. It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR

domain. This scenario often creates barriers in implementing CSR initiatives. It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.

• It is found that 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. This will increase the impact of their initiatives on the lives of the common people. After all, both corporate houses and non-governmental organizations stand to serve the people through their respective projects and initiatives. It is recommended that the projectisation, scaling up and sustainability of CSR projects need to be safeguarded at all costs for their efficiency and efficacy.

• It is found that many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facilities and services. 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. After all, more than 70 per cent people still reside in rural India. 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 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 schools 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. Such an approach will encourage and motivate young minds, prepare them face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor. It is recommended that involvement of professionals from the corporate sector, nongovernmental organizations and business schools would be key in ensuring youth participation in civic issues.

- It is found that there are approximately 250 corporate houses in the country that are directly involved in various CSR initiatives. These companies continue to decide their own projects depending on a number of parameters. These efforts are driven purely by the company's operational perspectives and ease of implementation of their CSR projects. As there are a number of companies involved in CSR activities, 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. It is found that companies involved in CSR implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment, to mention a few. In many such contexts, it's noticed that companies end up duplicating each others' efforts on similar projects in the same geographical locations. This creates problems and induces a competitive spirit amongst companies. The 1951 Plan Documents and other subsequent policy pronouncements amply demonstrate the intent of the Government in this regard, underscoring the value of participatory approach in the context of larger governance mechanics. The 'public co-operation' element has further been ensured by the involvement of various interest groups in drafting of the 'National Policy on Voluntary Sector- 2007', under the aegis of the Planning Commission, Government of India. The National Policy was subsequently cleared by the Cabinet in 2007 and is one of the finest blueprints available on partnerships between the Government, the voluntary sector and the private sector.

- Partnership between the Government and other interest groups have been well defined in policy documents at all levels and as a result have come

to stay; the only effort needed now is to develop common strategies to translate policy pronouncements into demonstrable action agendas. This will be of prime importance in ensuring a 'bottom-up' approach for various development initiatives in the country. 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.

Conclusion

The concept of corporate social responsibility is now firmly 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.

References

1. *Dr. Suri Sehgal, Chairman & Founder Institute of Rural Research & Development (IRRAD) Gurgaon.*
2. *Professor Leo Burke, Associate Dean and Director, Executive Education, Notre Dame University, USA. CREM-Report, nr. 03.650.*
3. http://www.chillibreeze.com/articles_various/CSR-in-India.asp.
4. *Trust and Corporate Social responsibility: Lessons from India by Ashwani Singla, Chief Executive Officer, & Prema Sagar, Founder & Principal, Genesis Public Relations Pvt. Ltd.*
5. *P. Cappelli, H. Singh, J. Singh, & M. Useem, The India Way, Academy of Management Perspectives, 2, May 2010, page 6-24.*
6. *CSR in India: Some Theory and Practice in Wall Street Journal dated Thursday, April 23, 2009.*
7. *"Desirable Corporate Governance: A Code", established in April 1998.*
8. www.k4d.org/Health/sustainable-development-challenges-and-csr-activities-in-india.