CORPORATE SOCIAL RESPONSIBILITY: AN ANALYSIS OF IMPACT AND CHALLENGES IN INDIA

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ABSTRACT

India is a developing economy, here Corporate Social Responsibility (CSR) play important role in organizations. In Indian industry one can easily notice a paradigm shift from corporate philanthropist to being socially responsible. The importance of CSR is increasing in Indian corporate scenario because organization have realize that ultimate goal is not profit making beside this trust building is viable and assert able with societal relationship. The compulsion of CSR has emerged in last two decades when Indian organization realizes the importance of sustaining in this cutthroat competition era. Before this Indian industries had materialistic culture. In the hue and cry of LPG (Liberalization, Privatization and Globalization) companies were only focused toward profit maximization which led social backwash. To overcome this fashion CSR play an important role in sustainable development which is only possible when there is a balance between profit and lowering social backwash or eradicating it. Corporate social responsibility (CSR) is gaining more and more importance day by day. Changing market scenario, globalization, ethical consumerism all are adding heat to the CSR concept. More and more organizations are showing their commitments towards CSR either for enhancing their corporate image or to be in competition.

Keywords: Corporate Social Responsibility; Charity

INTRODUCTION

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent in accounting and display ‘public reporting’ due to pressures from various stakeholders. It is possible for companies to behave in the ‘desired’ ethical and responsible manner towards consumers, employees, communities, stakeholders and environment. They have started incorporating their CSR initiative in their annual reports. 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. Now a day’s companies have become more transparent in their balance sheet. They are incorporating their corporate social responsibility initiative in their annual report.
The Pyramid of Corporate Social Responsibility (Carroll, 1991)

Definition of Corporate Social Responsibility

There is no single, commonly accepted definition of “Corporate Social Responsibility” (CSR). There are different perceptions of the concept among the private sector, governments and civil society organizations.

European Union (EU): It describes CSR as “the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, 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.”

while proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as follows: "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.”

OBJECTIVES OF THE STUDY

The study has been geared towards achieving the following objectives:

1. To understand the concept of CSR.
2. To determine the challenges in execution of Corporate Social Responsibility.
3. To examine Corporate Social Responsibility Practices and its impact on Business
4. To disseminate information about the latest happenings in the CSR field to people engaged in policymaking, policy analysis, policy research, practitioners and other Stakeholders.
5. To provide information for future research works on CSR.

RESEARCH METHODOLOGY
The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

**Corporate Social Responsibility in Indian Context**

CSR is not a new concept in India, 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. Several other organizations have been doing their part for society through donations and charity events.

Even though the concept is not new to the country, its implementation has been a major concern for years. In short, CSR is misunderstood for charity by a large number of Indian companies. It is merely considered a policy that should be implemented in business operations rather than giving importance to social good. Most domestic businesses in India are SMEs and these companies struggle to compete with large foreign multinationals. That highly competitive environment is seen as a reason not to adopt what is perceived as expensive CSR in the eyes of many managers of domestic Indian companies.

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. A 2011 study by the Oxford Poverty and Human Development Initiative estimated that approximately 650 million people, or fifty-three percent of India’s population, live in poverty. In 2010, the World Bank estimated that about 400 million people in India live on less than U.S. $1.25 a day. This scenario has opened up several areas for businesses to contribute towards social development. But the present condition seems to be changing as many companies are trying to accept CSR as more than just planting trees or giving away charity to the needy. Nearly All leading corporate in India Are involved in corporate social responsibility (CSR) Programs in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of society.

**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 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.
• 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.

• As part of its Corporate Service Corps (CSC) programme, IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribal in the Sasan area of Gir Forest.

• Efforts by companies such as HSBC India, Max New York Life and Standard Chartered Bank have ensured that the green movement has kept its momentum by asking their customers to shift to e–statements and e-receipts.

• The Tata Steel Rural Development Society aims to improve agricultural productivity and raise farmer’s “standard of living.

• 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.

• The Infosys Science Foundation 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.

• BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.

The 2001 State of Corporate Responsibility in India Poll, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

**Ethical Model (1930 – 1950)** - One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socio-economic development.

**Statist Model (1950 – 1970s)** - Under the aegis of Jawaharlal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

**Liberal Model (1970s – 1990s)** - The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

**Stakeholder Model (1990 – Present)** - The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to fulfil. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms. CSR needs to be understood within this context captured in the development oriented CSR framework given below:

<table>
<thead>
<tr>
<th>Model</th>
<th>Focus</th>
<th>Champions</th>
</tr>
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<tbody>
<tr>
<td>Ethical</td>
<td>Voluntary commitment by companies to public welfare</td>
<td>M.K. Gandhi</td>
</tr>
<tr>
<td>Statist</td>
<td>State ownership and legal requirements determine Corporate responsibility</td>
<td>Jawahar Lal Nehru</td>
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Issues & Challenges

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 Environ 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.

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.

Dimensions of Corporate Social Responsibility

<table>
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<tr>
<th>Liberal</th>
<th>Corporate responsibilities limited to private owners (Shareholders)</th>
<th>Milton Friedman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder</td>
<td>Companies respond to the needs of Stakeholders, customers, employees, communities, etc.</td>
<td>R. Edward Freeman</td>
</tr>
</tbody>
</table>
Challenges of CSR

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies’ decisions-making in this direction. In India, the CSR managers face a number of challenges in managing CSR activities.

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.

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- 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.

Non-Availability Of Well Organized Non-Governmental Organizations- 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.

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.

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.

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.

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.

The Relevance Of CSR Within An Organization- It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behaviour are also favoured by the public and preferred for their goods and services. This has given rise to the concept of CSR. Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

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;

CONCLUSION

CSR clearly impacts our corporations, society, and educational organizations. Despite its complexities, the numerous sustainability initiatives point toward continued, positive impact. CSR policy should function as a built-in, self-regulating mechanism whereby businesses would monitor and ensure their adherence to law, ethical standards and international norms. In the recent years corporate business houses have substantially involved towards societal responsibilities. Companies have started to realise the importance of CSR and initiating the steps towards it. 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 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. It is difficult for one single entity to bring about change, as the scale is enormous. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track. The CSR regime in India is in a nascent stage and there will be hitches, and a lot of fine-tuning will be required before we hit the perfect balance. What is commendable is the spirit with which India has made her corporates socially responsible and in that, led the world’s most developed nations.

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