Corporate Social Responsibility – Issues and Challenges in India

[1]K.SivaRamaKrishna, [2]Prof. C.V.Kannaji Rao,

[1]Research scholar, [2]Professor,
[1,2] Department of commerce and management studies
Andhra University,Visakhapatnam, India.

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Abstract : The Companies Act, 1956 is replaced with The Companies Act, 2013 and 'corporate social responsibilities' (CSR) has been made mandatory for a particular class of companies. There has to be an all inclusive growth of the society with the growth of the companies. Perhaps keeping this in mind, Indian law makers brought this law. This research paper focuses on to understand the issues and challenges of corporate social responsibility. It has been very well understood by organizations that Government alone will not be able to succeed in its endeavor to uplift the down trodden society further compulsion of Corporate Social Responsibility (CSR) has filtered the myth that the ultimate goal is not profit making, rather trust building is viable and assert able with societal relationship and only long term survival mantra for any organization. This article tries to analyze the study of Corporate Social Responsibility (CSR) status in India, and it further provide an insight to what extent companies can follow the Corporate Social Responsibility (CSR). We would try to through light on Corporate Social Responsibility (CSR) of Indian organizations which would be helpful for both economic and social interest.

Index Terms - **concept of Corporate Social Responsibility (CSR), issues and challenges.**
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I. INTRODUCTION

The significance of CSR emerged considerably in the last decade and is becoming an increasingly important 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 mandatory 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.

As a mode of implementing human rights, labour and environmental standards Corporate Social Responsibility (CSR) has long been discussed as a possible remedy to the inequalities created and exacerbated by economic liberalization and globalization. It considers that a corporation is not just a self-centered profit-making entity but that the company and its actions are also integral to the economy, society and environment in which they operate (Herrman, 2004)[1] In contemporary socio-economic scenario the concept of CSR has become widely integrated with business ethic in all parts of the world. The need of CSR is even more urgent in developing countries where economic disparities are more pronounced and both ecology and society are even more vulnerable to human induced environmental hazards. India is a country of magnificent contradictions. The country is widely inflicted with baffling economic disparity among urban, semi-urban and rural populace. Market based economic practice has further widened the scope of inequalities in the country. The emerging business culture of profit and competition has more and more marginalized social welfare issues such as, health, education and social security for the vulnerable section of the society into merely a peripheral pursuit.

Objectives of the paper:
i) To present the key issues of Corporate Social Responsibility.
ii) To present the challenges 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 comprehensively used for the study. Information from different news articles, Books and Web sources are used which are recorded and enumerated.

Meaning and Definition of Corporate Social Responsibility
CSR and business ethic focuses primarily on capacity building, empowerment of communities, more inclusive socio-economic growth, environment sustainability promotion of environmentally benign and energy efficient technologies, development of underdeveloped regions, and upliftment of the marginalized and under-privileged sections of society (REC,2013)[2]. Generally, CSR means that corporation and businesses in general while working on their main goal of maximizing their shareholders' profit should also keep in mind the societal concerns and needs and act responsibly towards the society in which they operate (Melikyan,2010)[3]. World Business Council for Sustainable Development has defined CSR as ''the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local communities''.

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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 then 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"

These corporate refer in its definition of CSR to community development. In the context of Western community, development is often seen as charity. In the Indian context it is seen as a large responsibility of a corporate, not only by stakeholders but also by the local Indian management.

The background of this is that stakeholders see the large western companies as capitalist islands in a developing country. This position gives them a certain responsibility towards the community. Most of the MNC's leave room to their Indian daughter company to develop initiatives in this field; sometimes they have a special fund. All kinds of initiatives are developed by the interviewed Indian companies, many times bottom up initiated by the employees[4].

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 the society. Notable efforts have come from the Tata Group Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

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.

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[5].

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. For example, SAP India in partnership with Hope Foundation, an NGO that works for the betterment of the poor and the needy throughout India, has been working on short and long-term rebuilding initiatives for the tsunami victims. Together, they also started *The SAP Labs Center of HOPE* in Bangalore, a home for street children, where they provide food, clothing, shelter, medical care and education.

CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track[6].

In an article on Trust and Corporate Social responsibility: Lessons from India, authors mentioned Spirituality and Corporate Social Responsibility have had a deep-rooted connection in India.

A phenomenon that has preceded the coining of the term 'CSR', the link between the 'karma' as espoused by sacred Indian texts and initiatives anchoring corporate as responsible citizens has been amply evident in India since the early days.

This is widely divergent from the perspective of corporate social responsibility in Western economies as reflected in the observation by Arthur Page, vice president of public relations at AT&T for around 20 years and former advisor to the US President: "… all business in a democratic country begins with public permission and exists by public approval …." Viewed from this perspective, public relations professionals are the custodians of trust for the corporate world. While the global spotlight today focuses on debates on corporate trust, India can proudly flaunt a head start in this arena. Yet, before we present India's case, let's briefly scan some recent happenings, particularly in the US, that led to an erosion of trust in Corporate Inc. worldwide[7].Education is the most preferred area of CSR for Indian companies, with 85% of the companies surveyed engaged in it, followed by health (67.5 per cent) and rural development and livelihoods (57.5 %)[8].

Key Learning Issues

Corporate Competitiveness, as addressed by strategic management, is a subject rarely 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 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 enhance the capacities of all stakeholders and lead to faster and more sustainable development.

The Parameters for CSR Initiatives are

Civil Society Strengthening

Capacity for strong performance in the community is the foundation for lasting social benefits. Worldwide, civil society is an important social and economic force with the potential to create a more free, fair and just global order. The collective nature of civic action helps to ensure that the interests of all citizens—including women, the poor and other marginalized groups—are adequately weighed by public institutions that make policy and allocate resources. Many civil society organizations (CSOs) face common challenges that limit their effectiveness namely, the ability to manage human and financial resources, weak advocacy abilities, and insufficient management ability to scale up promising innovations and results to achieve wider impact.

Performance Management

It is necessary to measure the outcomes to distinguish success from failure. Thus, managing for results is central to the global revolution in public management and aid effectiveness. Strong performance monitoring systems help to sharpen strategy and learning, improve communications with stakeholders, help ensure that resources are focused on key results, and promote accountability. Yet these systems are often impractical and out of alignment with organizational skills and incentives.

Thus, the focus areas for performance management are:

• An acceptable Performance Management Systems designed for a given project, which will identify key result areas, monitor implementing performance management systems for specific projects and programs to reinforce program performance, learning and accountability, encourage learning, and enforce accountability and objectively measure outcomes.

• Building Capacity for Performance Management: All stakeholders must be enabled and their capacities enhanced—at both organizational and individual levels, to meet the goals of the CSR initiative—building performance management capacity for entire organizations, including international donors and local partners such as governments and civil society organizations.

Programme Evaluation

Program Evaluation provides the platform for learning, accountability and focusing strategy. Program evaluation is central to organizational learning, performance improvement and accountability. Through program evaluation it is possible to determine the efficiency, relevance, effectiveness, sustainability and institutional impact of development activities. Impact evaluation helps in a better understanding of the extent to which the activities benefited the poor and the magnitude these effects on people's welfare.

The focus areas for Program Evaluation are:

• Impact Evaluation: A systematic assessment of the impact of CSR activity, program or plan on individual households, institutions, and the environment.

• Evaluating the Program for Improvement: Evaluations must focus on improving the quality of implementation and project outcomes and programs during the project life.

• Evaluating Participation and Empowerment: Programs must also be evaluated with the objective of fostering participation, learning and empowerment among the local stakeholder groups.

• Evaluation of Capacity Development: Evaluation must result in actions to incentivize and building organizational skills, incentives and systems to use evaluation in order to achieve the desired results.

Strategic Planning

Managing with a clear vision, mission and strategy produces lasting outcomes. Globalization and failed and fragile states, the Millennium Development Goals (MDGs) and country Poverty Reduction Strategies require more strategic alignment of development assistance. Donor coordination provides added potential to design and manage country programs that help to create stability and prospects for longer-term development. To stay relevant in this environment, aid agencies need to sharpen their missions, mandates and strategies and engage in constant learning and innovation.

The focus areas for strategic planning are:

• Designing Results-Oriented Sector Strategies and Countrywide Programs: Strategy planning needs engagement with working with donors, governments and local stakeholders to develop a results-oriented program for the sector (strategies and programs in health, education, environment, governance, and etc.).

• Strategic Planning for Organizations and Teams: This involves creation of a shared vision, mission and formulation of a strategy with measurable results across the organization and teams. Doing so establishes an operating unit; creating a culture for strategic management.

Effective Teams

Harnessing the creativity, collective wisdom and the energies of diverse teams is an effective catalyst for achieving development results. Effective teams are important catalysts for development and social change and they are increasingly diverse and dispersed. Teams and their members come with different values, varied skills and experiences, technical skills and cultural traditions. Technical assistance teams are often under pressure to produce quick results, especially in challenging environments. Teams that work closely with their local counterparts must learn the model values of empowerment and participation. In such settings, traditional team building effort is not enough.

The areas of focus for effective teams include:

• Team Planning Meetings: To achieve an early start-up for effective technical assistance.

• Team Building for Existing Teams: Team assessment, and tailored team building,(including Meyers Briggs Type Indicator, (MBTI), to improve performance of existing teams.

• Building Team-based Organizations: Creating organizational leadership processes , procedures, structures and incentives to support effective teams.

• Building Effective Virtual Teams: Using specialized tools and methods for building virtual teams and communities for effective collaboration of practice.

Social Impact Management

This addresses the issue of inclusive growth is more than mere poverty alleviation. It seeks to address the problem of equity through the enhancement of opportunities for everybody.

Challenges to CSR Initiatives in India

CSR initiatives face many challenges in India and are often seen as deterrent to even the best-intentioned plans. The most important ones are described here.

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 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

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. 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;

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