

CORPORATE SOCIAL RESPONSIBILITY IN INDIA: ISSUES AND CHALLENGES

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ABSTRACT

Corporate Social Responsibility (CSR) can be defined as a company's obligation to be accountable to all of its stakeholders for its all operations and activities. In today's era there is huge amount of discussion about Corporate Social Responsibility among various corporate and policymakers. However confusion and ambiguity that surrounds CSR both as concept and practice is widely acknowledged by all. CSR in context of India has become quite serious discussion after the introduction of Section 135 of the Companies Act, 2013. Interestingly, irrespective of this recent regulation, the practice of CSR is particularly not very new to the Indian Corporates. CSR is a form of corporate self-regulation integrated into a business model. In India companies like TATA, Infosys, Mahindra and Mahindra and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR was introduced in section 135 of Companies Act 2013. In India CSR can be said to be in very initial or building stage. A lack of proper understanding, scarcity of trained personnel, lack of proper reporting, scarcity of proper policy etc. further adds to the effectiveness and reach of CSR programs and initiatives. Though many companies have started CSR initiatives but their impacts have not been desirable yet. This research paper uses secondary data (news articles, Books and Web) and focuses on finding and reviewing of various issues and challenges faced by CSR activities in India and provide some recommendations for elimination of such issues and challenges

Keywords-Corporate Social Responsibility, stakeholders, CSR in India

INTRODUCTION

In layman's language CSR (CORPORATE SOCIAL RESPONSIBILITY) may be defined as a business approach that contributes to sustainable development by providing social, economic and environmental benefits to stakeholders. CSR is common term used these days and many corporate houses are trying to help the weaker and poor sections of the society through CSR. Many Organizations in India have been sensible enough in taking up CSR initiatives and integrating them into their business activities. The Companies Act 2013 has introduced the very idea of CSR, the concept of CSR is governed in Section 135 of Companies Act 2013. The CSR provision within the Act is applicable to companies with annual turnover of Rs. 1000 crore or more or net worth of Rs.500 crore or more or net profit of Rs.5 crore or more. This act encourages companies to spend at least 2% of their average net profit of previous three years on CSR activities. Companies these days tend to have specific departments and well designed teams which design specific policies, goals and strategies for their CSR activities and allocate separate budgets to support these activities. With increase in significance of CSR in last decade or so, large numbers of companies have realized that it is a good hearted investment, which brings numerous benefits to the company in long run. Thus, all CSR activities tend to be designed in alignment with the corporate business strategies, which will surely benefit the organization the long run.

Definition of CSR

According to Mallen Baker "Corporate Social Responsibility is the continuing commitment by business to behave ethically 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"

According to UNIDO-CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interaction with shareholders.

CSR IN INDIA

During pre industrialization period which lasted till 1850's some wealthy merchants generally donated part of their wealth for setting up temples and other religious activities, then during independence movement influenced by Gandhi's principles many corporate houses and businessmen established trust and societies to develop school and colleges, and donated for other skill and training programs.

Then during 1990's with liberalization and globalization Indian companies tried to move away from their traditional CSR activities and tried to integrate CSR with their overall business strategy and achieve sustainable growth in long run. Further with introduction of Companies Act 2013 it has been made mandatory for certain companies to contribute certain amount of profit towards CSR.

Notable CSR work by some Companies-

ITC-It has done various laudable works for providing education to farmers, children's, and women .ITC's watershed development program, ITC's farm and forestry initiatives have been quite successful in the recent past.

AMUL-It established Amul Relief Trust (ART) when earthquake hit Gujarat, ART contributed 50 million rupees to reconstruct school buildings destroyed by earthquake in Kutch area .Further its green Gujarat tree plantation drive and activities to develop leadership skills among women have been quite successful in the recent past.

Reliance-It has done some great work in the field of health and education .Projects like DRISHTI ,a project to help visually challenged underprivileged children's , Kargil Scholarship Scheme have been very popular in recent past .

Infosys-One of the early adopters of CSR through its projects across India it has done remarkable work in the field of rural upliftment and social rehabilitation (worked in tsunami affected areas of Tamil Nadu and Adman island , earthquake affected areas of Kutch etc), Healthcare , Art and Culture , Learning and education and environment.

TATA GROUP-It has done notable work in the field of maternal and child healthcare .It has established many sports academies to promote sports. Tata Group organized many relief programs in case of natural calamities, including rebuilding efforts in disaster affected areas. It supports education, with establishing over 500 schools all over the country.

Mahindra & Mahindra

The K. C. Mahindra Education Trust was established with sole purpose of promoting education. The Trust has provided nearly Rs.8 crore in the form of grants, scholarships and loans to the weaker section of society. The Nanhi Kali (children) project started by it has been quite popular.

OBJECTIVE

The Present paper is basically concerned with the following objective- To study the Issues and Challenges for CSR in India and suggest some recommendations for elimination of these issues.

RESEARCH METHODOLOGY

The research paper is based on the secondary data which is sourced from media reports, magazines, journals, articles etc.

This paper is an attempt of exploratory research and according to the objectives of the study the research design employed for study is descriptive in nature.

ISSUES AND CHALLENGES

Companies act 2013 made it compulsory for certain corporate to make certain amount of contribution towards CSR , but CSR is certainly not alien concept for companies of India as many giant organizations like TATA , Reliance have been practicing CSR for decades before it was made compulsion .Many firms consider customer satisfaction as most important issue or objective and somewhat consider CSR as the additional burden imposed on them but these firms have to broaden their view and understand that CSR is not a threat but opportunity for their businesses as with constant increase in educated consumers they are not just concerned about price and service of product but pays equal importance to its society and environment. Hence companies must consider CSR as

opportunity to build their good reputation and brand image. Various issues can challenges faced by CSR in India can summarized in following points mentioned below-

- **Issue of transparency** – There is lack of transparency on the part of companies as many times they don't tend to disclose their programs impact assessment or where they have utilized their funds for CSR activities.
- **Narrow perception towards CSR-** Many organizations consider Corporate Social Responsibility as a burden and tend to avoid it as much as possible as they don't realize that it is not a threat but a opportunity for growth of their business.
- **Lack of trained professionals-** Many companies don't have trained manpower and technical knowhow to develop proper CSR strategies and policies .Hence it is witnessed that though many companies are allocating huge sum of money for their CSR activities but still desired results cannot be achieved as proper utilization of resources is not taking place.
- **Confusion regarding focus areas-**Many issues faced by population of India includes poor education, malnutrition, poor sanitation and healthcare facilities, environmental problems etc. Hence many times it becomes issue or challenge for the corporate houses to decide what should be their target areas.
- **Little benefit of CSR activities in rural areas-** Though companies tend to spend on their CSR activities but not much impact of these activities are still seen in order to get more media attention generally it is seen that remote and rural areas are neglected .
- **Overlapping of CSR activities-**As there is no proper coordination among different organizations and various CSR departments, hence many times there arises overlapping of same type of CSR activity in same area. For example-two or more firms may be engaged in plantation drive to protect environment in the same area.
- **Non availability of well organized NGO's** – Many times it has been witnessed that there is dearth of proper NGO's in remote and rural areas that can identify the actual needs of individuals there .Hence though the company may want to invest in these areas but proper target area in not taken into consideration due to non availability of well organized Non Profit Organizations.
- **Visibility factor is over emphasized** –Many firms just try to use their CSR as a tool to advertise themselves and build their own brand image hence they only engage themselves in event based programs which have huge media coverage and hence tend to avoid basic grass root problems in the area.
- **Lack of community participation in CSR activities** – With little or no knowledge among the local community regarding CSR there tends to be lack of local community participation and contribution to CSR activities

SUGGESTIONS/RECOMMENDATIONS

According to United Nations and European Commission, Corporate Social Responsibility (CSR) leads to profits, protection of environment and fight for social justice. It is expected that in order to bring marginalized section of the society to mainstream civil society, government, activist groups and corporate sectors have to work together and that to in harmony. By analyzing various issues faced by CSR in India, following recommendations can be listed for serious consideration by all the stakeholders involved.

Firstly, there is instant need in our country to increase awareness about Corporate Social Responsibility in the general public in order to make CSR activities initiated by corporate to be more successful in long run. This awareness can be generated through various mediums , media could be one such medium to generate awareness among the common individuals by highlighting the good work done by corporate houses , this will help in bringing change in attitude of normal public towards CSR and curiosity to know more and more about CSR will automatically increase in general public . Further it will also motivate other corporate houses to join the league and work for essential issues like education, health, environment etc, through their unorthodox CSR practices. Thus in order to make CSR initiatives more successful awareness among general public is of foremost importance.

Secondly, it has been seen many times that due to lack of coordination among various corporate and Non Government Organizations' overlapping of work takes place due to which benefits from CSR activities cannot reach to large number of beneficiaries. Hence it becomes necessary that both corporate houses and NGOs that are involved in CSR activities should try their best to build synergies to built best CSR practices and innovate new ones which can impact large number of beneficiaries.

Thirdly, Many times it is seen that focus of CSR activities remains only to urban areas but country like India where nearly two third of population lives in rural areas the focus of CSR initiatives cannot be restricted only to urban areas .Companies should try to equally focus on rural and urban areas for their CSR initiatives for this may be government can rollout obligation for companies to spend certain percentage of amount out of their CSR budget in rural areas.

Fourthly, it is found that numbers of corporations involved in CSR activities are minuscule generally only large corporate houses are involved in CSR initiatives. Companies Act 2013 also makes only companies with quite high turnover and net worth to compulsory invest in CSR activities. Hence involvement of small and medium enterprises is almost nil in CSR. It becomes necessary that SME's should also be brought under CSR domain. In order to reach out to larger scale of population it becomes very essential that small and medium enterprises are not left out of ambit of CSR, may be in future government can think of making it compulsory for SME's to take certain CSR initiatives.

Fifthly, huge dearth of trained manpower and lack of technical know how to develop good Corporate Social Responsibility strategies is quite common. In order to overcome this deficiency it becomes necessary that CSR as a subject should be introduced and made compulsory in various colleges and business schools so that students become more aware about the concept of CSR, on one hand it will provide pool of CSR consultants and professionals for companies to choose from on the other hand it will help many students to build their career as CSR experts and consultants which will certainly be quite demanding profession in years to come.

Lastly, various NGO's and corporate who are implementing various CSR initiatives effectively to help society and environment need to be properly recognized and rewarded. This will not only act as the motivating factor for these companies but voluntary participation of greater number of corporate which are not involved in any of the corporate social responsibility initiatives will also witness steep rise in future.

CONCLUSION

CSR is fast growing concept worldwide with rapid surge in expectations of society towards social development by the companies. Over the last decade or so many corporate have started promoting their businesses through CSR as now both investors and customers expect these companies to act both responsible and sustainable. Many successful companies are properly linking their business goals and CSR activities but still there are many companies which consider CSR as the additional burden. Role of CSR tends to increase manifold in developing country like India where government has limited resources to overcome various issues related to health, education, infrastructure, etc. Hence role of corporate in turning India from developing to developed country is bound to be very important and CSR acts as a medium through which corporate can fulfill this role.

CSR is the need of the hour as it provides numerous benefits to Company in form of better financial performance, enhanced brand image and reputation, increased ability to attract and retain employee's etc. Many benefits are provided to general public in the form of charity, education programs, environment protection programs and health programs etc. Hence though there are numerous issues and challenges related to CSR in India but it is essential for corporate to adopt and link various CSR strategies with their business objectives to survive in the long run.

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