



Corporate social responsibility: Challenges and Initiatives in India

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Abstract

Corporate Social Responsibility (CSR) is a concept states that organization has a responsibility towards the society for their operations. CSR considered as a further step to improve the quality of life for their stakeholders as well as society at large. It means companies have to satisfy their shareholders and also managing the expectations of the stakeholders such as employees, consumers, suppliers, government and community at large.

According to Bowen, "Corporate Social Responsibility refers to the obligations of the business- to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society". CSR is also describe as the Corporate "triple bottom line" – the Totality of the Corporation's financial, social and environment performance in conducting its business. In the changing scenario, globalization, human rights, ethical consumerism all these are heat the CSR concept and helpful to enhance the corporate image and brand value of the company. There should be transparency and truthfulness in working of the company. India has a long tradition in the field of CSR. In the last decade, CSR has rapidly involved in India with some companies focusing on strategic CSR initiates to contribute towards national building. Government has also made provisions related to CSR. According to New Company Act, 2013 Corporate must contribute 2 % of their net profits towards CSR which made Indian companies to consciously work towards CSR activities. The present study has been an attempt to consider many key challenges along with various initiatives taken in the field of CSR.

Keywords: corporate social responsibility, company law, transparency

Introduction

In the Era of globalization; the world is shrinking and CSR acquire greater degree of relevance. CSR in India has traditionally been seen as a philanthropic concept but now it has moved to development of the community in which an organization operates. This concept understood as being the way through which a company achieves a balance of economics, environment, legal, moral and social aspects in one hand and other sides it addressing the expectation of shareholders and stakeholders. There is multiple definition of CSR from different perspective. The Economic Union defines CSR as "the responsibility of enterprises for their impacts on society". To completely meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders". Mostly companies have now seriously taken up to the cause of CSR in countries with rising globalization. Business should carry CSR activities on regular basis. In India several companies now realizing that it is a time to take up CSR initiatives and include it with their business process. In the modern era; people in the society are more active and demanding so corporation should feel a sense of duty towards the common welfare and the environment. This comes with a growing realization that they also integral part of this society themselves, can contribute to its upliftment and empower of the entire country. Now a days; Companies

are setting up more departments and teams that develop policies, strategies and goals for their CSR programs and assign separate budgets for CSR. These programs are based on well-defined social and environment aspects. The new generation of corporate leaders focuses on optimization of profits as the key, rather than the maximization of profit. CSR can be a source of opportunity, innovation, and competitive advantage and also providing with the opportunity to actively contribute to the sustainable development.

Objectives of the study

1. To understand the concept of CSR.
2. To determine the challenges faced by CSR in India.
3. To analyze the CSR initiatives in India.
4. To examine the benefits of CSR on business.

Review of literature

(Sharma Y., 2013) ^[3-5] Found the CSR Law and related concepts. A step was taken to generate awareness and to understand meaning, significance and CSR aspects. Also spread the current state of CSR aspects. (Premlata & Agarwal, 2013) ^[2] Throw a light on CSR clause in India and given that companies must contribute 2 percent of their net profits towards welfare of society. Also explore the CSR modern law and drawing attention of Govt. authorities towards difficulties in implementation of the new provisions. (Kumar, 2014) ^[6]

Focus on religious view of CSR which previously seen as philanthropy. It includes charity, services to the community, enhancing employee welfare and promoting all related aspects. A study on CSR activities and challenges faced by Indian economy has been done. (S. Vijaylatha & G. Brindha, 2015) [7] Explain that different industries make charitable activity in continuous manner. For this purpose many policies and strategic initiatives has been done. This paper examined the emerging issue in economics such as India. (Shyam, 2016) [9] Study about the CSR as a point of convergence of various initiatives. It highlights policies governing CSR in India and cause of it and SMEs role in CSR. Also considered various challenges facing CSR in India and gave suggestion to overcome and accelerate the CSR.

Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles, newspapers and decided to analyze the websites and the CSR reports, as regularly published document to comply with voluntarily require.

Policy initiatives in India – clause 135, Companies Act, 2013

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and assent given by the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The ministry's draft rules, that have been put up for public comment, define net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India. Companies may implement these activities with local conditions after getting board approval. All activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

Key challenges in India regarding CSR

- **Non-participation of Community in CSR Activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. All these seem that there is no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR. There is another situation that elaborate is a lack of communication between the company and the community.
- **Non-availability of Well Organized Non-governmental Organizations:** It is also found that there is non-availability of well organized non-governmental organizations in small and rural areas that can acquire and identify real needs of the community and work along with

companies to ensure successful implementation of CSR activities. This also building the capacities of the communities and helpful for the company to undertake development projects at local levels.

- **Lack of clear CSR guidelines:** There are no clear statutory guidelines or policy and directions to give a road map to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and company profile. In other words, the bigger the company, the bigger is its CSR activates.
- **Need to build local capacities of CSR concept:** There is a need for capacity building of the local non-governmental organizations as there is serious lack 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.
- **Lack of transparency:** This is one of the key issues found in 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.
- **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.
- **Lack of unity 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.
- **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.
- **Increased pressure from Investors:** Now a day investors changing their way for analyze the company performance and making decisions after considering all economic, social and environment aspects. So, there decisions based on ethical concerns too.
- **Increased Customers Interest:** It has been seen and proved through a survey that one third of surveyed

consumers believed that large companies “should do more than give money to solve problems.” The same study found that almost 50 percent of consumers had considered punishing a company based on its social actions and that nearly 30 percent had actually avoided a company for that reason. So, company considered their all social economical and environment aspects.

CSR initiatives of some companies

- ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. ONGC’s CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc
- BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants
- Mahindra & Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
- Infosys: As a leading software company Infosys is into the providing language and computer education. Company has special program for unprivileged children by whom company teaches them various skills and change their outlook too. Company also donates carom, chess board, chocolates etc. to the needy ones. The company supports causes in Health care, culture and rural development.
- As part of its Corporation Service Crops 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.
- SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water.
- ITC: ITC Limited (ITC) is among one of India's leading private sector companies having an assorted portfolio of businesses. ITC is working with the concept of ‘Triple bottom line’ that will contribute to the growth of economy, environment and social development. Major focus area of the company is on raising agricultural productivity and helping the rural economy to be more socially inclusive.
- GlaxoSmithKline Pharmaceuticals” CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.
- Bajaj Electricals Ltd corporate social responsibility activities include Education, Rural Development & Environment.
- 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.

- Tata consultancy services is India’s largest software service company and has won the Asian CSR award for initiating community development work and implementing various programs and devoting leadership and sincerity as ongoing commitment in incorporating ethical values. Major focus of the company is on education sector. Company is working upon literacy program that cares TCS designed computer based literacy model to teach adults and this program is known as an adult literacy program. It also improves agriculture productivity.
- The financial services sector is going green in a steady manner. Efforts by companies such as HSBC India, Max New York Life have ensured that the green movement has kept its momentum by asking their customers to shift to e-statements and e-receipts.
- Maruti Suzuki an automobile industry works upon global warming and global issues like climate Change Company has been strongly investing on environmental friendly products and manufacturing best products for the society. Maruti Suzuki is working upon conserving environment and preserving natural environment. Concept of reduce, reuse and recycle has been promoted by company in all the manufacturing units.
- Wipro Cares: Focus area of Wipro cares is on taking educational and health care initiatives for migrated communities and environmental issues and disaster rehabilitation.

Benefits of CSR on business

As the business environment gets increasingly complex and stakeholders become vocal about their expectations, good CSR practices can only bring in greater benefits, some of which are as follows:

- **Communities provide the license to operate:** Apart from internal factors such as values and ethos, some of the key stakeholders that influence corporate behavior include governments (through laws and regulations), investors and customers. In India, the importance of stakeholder in the community has been increase, and many company considering that the ‘license to operate’ is no longer given by governments alone, but communities that are impacted by a company’s business operations. Thus, a robust CSR programmed is necessary.
- **Attracting and retaining employees:** Several human resource studies have linked a company’s ability to attract, retain and motivate employees with their CSR commitments. Interventions that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the company.
- **Enhancing corporate reputation:** The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmers. This allows companies to position themselves as responsible corporate citizens.
- **Communities as suppliers:** Now a day, CSR initiatives emerging, wherein companies have invested in increasing community livelihood by associated them into their supply chain process. This has benefitted communities

and increased their income levels, standard of living while providing these companies with an additional and secure supply chain.

Conclusion

Corporate social responsibility has a long history in India. Previously philanthropic concept has been used but now it converts into community development concept. Society now more demanding and change their lifestyle and concern about environment aspect too. All these factors lead the company to be transparent and ethical conduct with the stakeholders. Companies should successfully associate with social inclusion and environment sustainability. Now 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. The CSR initiatives have also seen greater people participation at all stages. The issue of norms for corporate social responsibility seems to have been adequately carried by industry practices like benchmarking, CSR ratings and certification by different agencies. CSR programs ranges from community development to development in education, environment and healthcare etc. CSR contributes a lot to the organization. Every organization going to profitable and efficient if it adopts CSR activities properly. So for the real and sustainable growth companies should carry CSR activity seriously.

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