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

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**ABSTRACT**

India has a long tradition in the field of corporate social responsibility and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. The concept of CSR has evolved from being regarded as detrimental to a company's profitability, to being considered as somehow benefiting the company as a whole, at least in the long run. This paper tries to analyze the CSR status in India, and focuses on the finding & reviewing of the issues and challenges faced by CSR activities in India.

JEL Classification: L21: Business Objectives of the Firm; M14: Corporate Culture; Social Responsibility

***Keywords: Corporate Social Responsibility; Charity; CSR; Companies act, 2013***

## **INTRODUCTION**

Corporate social responsibility is a concept that has become quite familiar in the world-of-business today. The present-day conception of corporate social responsibility (CSR) implies that companies voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders.

CSR involves applying the concept of sustainable development to the corporate world. Companies that respect and listen to their stakeholders must naturally be concerned by their growth and profitability, but they must also be aware of the economic, environmental, social and societal impacts of their activities. Too often, attaining corporate social responsibility is understood from the perspective of business generosity to community projects and charitable donations, but this fails to capture the most valuable contributions that a company has to make. In general sense social responsibility is seen as the deposition of organizations to exhibit a ‘missionary’ rather than a ‘mercenary’ attitude to the society or environment in which they operate.

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 (Das Gupta 2010). 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. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes.

### **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.

Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.<sup>1</sup> (Carroll, 1979)

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 work force and their families as well as of the local community and society at large<sup>2</sup>.” 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<sup>3</sup>.”

## **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 complete 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.
- SAP India, in partnership with Hope Foundation (an NGO that works for the betterment of India’s poor and the needy) throughout India, has been working on initiatives for short and long-term rehabilitation of the tsunami victims.
- 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.
- The financial services sector is going green in a steady manner. 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 farmers’ 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 Eastern Swamp Deer at the Kaziranga National Park in Assam.
- Infosys: The Infosys Science Foundation, set up in 2009, 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.

## **KEY CHALLENGES HINDERING CSR INITIATIVES IN INDIA**

Now, since the Companies bill has become an act, around 8,000 companies in India – including private and public companies need to focus on planning, designing and implementing CSR initiatives pertain to areas, such as, care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, environment and social and inclusive development etc. The practical implementation of CSR is faced with a lot of issues and challenges. As a result, there are several key challenges, which are anticipated.

The survey conducted by Times of India group on CSR used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally 82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. The respondent organizations form a satisfactory percentage of 33 per cent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey.

The survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country. Responses obtained from the participating organizations have been collated and broadly categorized by the research team. These challenges are listed below:

**Lack of community participation in CSR activities:** There is a lack of interest of the general public in participating and contributing to CSR activities of companies. CSR is largely misunderstood by Indian businesses and their stakeholders. There is a view that businesses are already socially responsible, when they are clearly not. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

**Need for capacity building of the local non-governmental organizations:** There is a need for capacity building of the local non -governmental organisations as there is serious dearth of trained and efficient organisations 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 programmes, audit issues, impact assessment and utilisation 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.

### **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 behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR. The concept of corporate social responsibility is now firmly rooted on the global business agenda. 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;
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

How companies benefit from the Corporate Social Responsibility concept?

Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. Demands for CSR may be viewed in the context of four major arguments (Porter and Kramer, 2006):

- 1) Moral obligation to “do the right thing”;
- 2) Sustainability, focused on environmental and community stewardship;
- 3) License to operate, since corporations need approval to do business; and
- 4) Reputation in terms of the company’s image, brand, morale, or stock value.

No matter the size of an organization or the level of its involvement with Corporate Social Responsibility every contribution is important and provides a number of benefits to both the community and business. Contributing to and supporting Corporate Social Responsibility does not have to be costly or time consuming and more and more businesses active in their local communities are seeing significant benefits from their involvement:

- Reduced costs

- Increased business leads
  - Increased reputation
  - Increased staff morale and skills development
  - Improved relationships with the local community, partners and clients
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- Innovation in processes, products and services
  - Managing the risks a company faces

#### Recent Scenario

The much awaited Companies Bill, 2012 was passed by the upper house of Parliament on 8 August 2013 and received president's assent on 29th Aug, 2013. From April 1, 2014, it has become legally binding for companies in India to be “socially responsible”. Section 135 of the new Companies Act 2013, reads with the CSR Rules makes it mandatory for companies, meeting certain criteria, to set aside two per cent of their net profits for undertaking and promoting socially beneficial activities and projects in India. To implement this, the Ministry of Corporate Affairs (MCA) recently issued the CSR Rules, 2014, to implement this legislative mandate, which came into effect on April 1, 2014.

#### Entities Covered by the CSR Obligations:

The threshold coverage levels for CSR are low. Companies are subject to the CSR requirements if they have, for any financial year:

- a net worth of at least Rs. 5 billion (approximately U.S.\$80 million);
- a turnover of at least Rs. 10 billion (approximately U.S.\$160 million); or
- net profits of at least Rs. 50 million (approximately U.S. [\$800,000]).

Companies meeting these thresholds are required to develop a CSR policy, spend a minimum amount on CSR activities and report on these activities, or prepare to explain why they didn't. It is estimated that a total of 8,000 companies in India would be required to meet the CSR requirements among the 9 lakh active companies in India and the 2% CSR expenditure would translate to companies' spending around Rs 12,000 crore to 15,000 crore annually.

## 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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