CORPORATE SOCIAL RESPONSIBILITY – ISSUES AND CHALLENGES IN INDIA

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ABSTRACT
In India companies like TATA and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. In spite of having such good glorious examples; In India CSR is in a very much budding stage. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs. Large no. of companies are undertaking these activities superficially and promoting/ highlighting the activities in Media. This research paper focuses on the finding & reviewing of the issues and challenges faced by CSR activities in India.

Keywords: CSR, Corporate Social Responsibility, Societal Marketing.

1. INTRODUCTION

In a societal structure, we have many stakeholders, one amongst them are companies or Corporate Houses. These Corporate houses are meaningfully contributing from their kitty which impact their internal stakeholders and also openhandedly support societal initiatives. In India companies like TATA and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country. As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line profits, protection of environment and fight for social justice. It is expected that Civil society, activity groups, Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. The success of CSR lies in practicing it as a core part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results

At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organizations. At the other end, it can be a way of doing business that has significant impact on society. For this latter vision to be enacted in India, it will be necessary to build CSR into a movement. That is to say, public and private organizations will need to come together to set standards, share best practices, jointly promote CSR, and pool resources where useful. An alliance of interested stakeholders will be able to take collective action to establish CSR as an integral part of doing business this is not a passing fad. There are more than 1,000,000 registered companies in India out of which less than 1 percent companies are traded on the Indian Stock Exchange. A new Trend has started in Corporate is the establishment of special committees within the board of directors to oversee CSR activities. Groups of corporate are being encouraged to come together to promote CSR. In2006, Europe created the European Alliance for CSR. It currently consists of 70 multinational

corporate houses and 25 national partner organizations and has become a unique resource for building capability in CSR

2. NATURE OF CSR

- Business is the primary source of wealth creation, innovation and employment. Business is an integral part of society and is committed to operating in a responsible and sustainable manner, alongside other actors.
- CSR is a positive business-driven response o the business environment of today. CSR is not an add-on for business; it is increasingly being integrated in to business operations, governance, management system and thinking. It must therefore, be seen within the context of the totality of a business today.
- CSR is a multi-dimensional concept covering social, economic and environmental concerns and is continually evolving within the diversity of the market. This diversity of the market place makes innovation a critical aspect in the development and implementation of the varied CSR initiatives. Efforts to regulate or standardize such as inherently dynamic process of voluntary action would stifle this very.
- CSR is not an alternative to regulation Government must be responsible for the implementation and enforcement of national laws.
- Any debate on SR needs to also include a consideration of the responsibilities of other actors in society. The appropriate role of each actor needs to be understood and respected along with the limitations of their fields of actions.

3. OBJECTIVES

The Present paper is basically concerned with the following objectives:

- To study the Issues and Challenges for CSR in India.
- To study comprehensively the corporate social performance towards the stakeholders employees, creditors, customers etc.
- To examine the attitude and practices of business ethics by different companies,

4. RESEARCH METHODOLOGY

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, Booksand Web were used which were enumerated and recorded.

5 LITERATURE REVIEW

Can shareholder money be used for a company's corporate social responsibility (CSR) practices? Shouldn't shareholders have a say in the CSR activities of the company they are invested in? As per ACCSR's State of CSR in Australia Annual Review report Full understanding of CSR still emerging; There are many obstacles are emerging while adopting successful CSR, strategies include the difficulty in making a business case for CSR, difficulty in integrating CSR with organizational values and practices, and the lack of organizational buy-in and commitment to CSR. Other obstacles reported is the lack of time and financial resources to pursue CSR practices are directly related to the above three. When an organization finds it hard to make a business case for CSR or link it to core

organizational operations, it will be reluctant to commit and allocate resources or time to such practices. Moreover, these obstacles also point to another set of findings in the report: respondents view CSR more so as a means to manage regulatory impacts, reduce risk, and respond to stakeholders concerns, and to a lesser extent as a strategic source of competitive advantage.

6. CSR STRATEGIES FOCUSING ONPROTECTION 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.

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 Nongovernmental 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 ahead 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 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 %).

7. 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 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 environics 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 concern. The Social Investment Forum reports that in the US in1999, there was more than $2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

Competitive Labour Market: Employees are increasingly looking beyond paychecks 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. Dr Ratnam said the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprises expectations can also vary. A CSR project can begin in response to a crisis or adverse publicity that a company may suffer. The motive for launching CSR can vary between philanthropy and notions of corporate citizenship.

In India, over time, the expectations of the public has grown enormously with demands focusing on poverty alleviation, tackling unemployment, fighting inequality or forcing companies to take affirmative action. The historical driver of CSR has been philanthropy or a sense of ethics. After the Second World War, a variety of national and international regulations arose through bodies such as the International Labor Organization (ILO) emphasizing the need for an active social policy for transnational companies (TNC's). This additional driver, international institutions, has relevance for India through the work of the ILO, the OECD, Socially Responsible Investment (SRI), the SA8000 Social Accountability scheme and through the work of the UN Commission on Human Rights which tackled the human rights responsibilities of TNC's. In India, some public sector companies can spend up to 5% of their profits on CSR activities. Pressure groups have been quite successful in inducing companies to fund CSR schemes, even to the point of using kidnapping as a tactic! Forms of CSR

differ according to the country or region. In Europe, for example, notions of CSR probably developed out of the Church and a sense of ethics. In India, CSR has evolved to encompass employees, customers, stakeholders and notions of sustainable development or corporate citizenship. In transnational companies, the approach to CSR typically emerges from one of three elements including a decentralized strategy (which might examine human rights), a centralized strategy (which would be company-wide) or a globally integrated strategy (which would include Coca Cola or oil companies - where local actions can impinge globally).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 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. 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 Nongovernmental 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:** Nongovernmental 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.

In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, the recommendations of the survey are firm indications of the existing state of affairs in the CSR domain; they correspondingly call for necessary and appropriate steps to be initiated to put CSR
on firmer ground. Keeping in view the broad results of the survey, the follow in recommendations are listed for serious consideration by all concerned stakeholders for their effective operationalization to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

- 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 awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. 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. Thus, the social justice agenda of the day would be fulfilled more meaningfully.

- It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain. This scenario often creates barriers in implementing CSR initiatives. It is recommended that appropriate steps be

undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.

- It is noted that only medium and large corporate houses are involved in CSR activities, that too in selected geographical areas. This issue builds a case for more companies to be brought under the CSR domain. To address the issue of reaching out to wider geographical areas, the involvement of small and medium enterprises (SMEs) in the CSR domain will be essential. It is recommended that a campaign should be launched to both spread awareness on CSR issues amongst the general public as well as to involve SMEs to participate more actively in CSR initiatives. This will help CSR reach out to other locations and cover a large number of communities and help companies play a valuable role in addressing various social and development issues. This approach will help CSR get ingrained into the DNA of core business activities of companies.

- It is found that corporate houses and nongovernmental organizations should actively consider pooling their resources and building synergies to implement best CSR practices to scale up projects and innovate new ones to reach out to more beneficiaries. This will increase the impact of their initiatives on the lives of the common people. After all, both corporate houses and non-governmental organizations stand to serve the people through their respective projects and initiatives. It is recommended that the projectisation, scaling up and sustainability of CSR projects need to be safeguarded at all costs for their efficiency and efficacy.

- It is found that many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facilities and services. While focusing on urban areas, it is recommended that companies should also actively consider their interventions in rural areas on education, health, girl child and child labor as this will directly benefit rural people. After all, more than 70 per cent people still reside in rural India.

- It is noted that the Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged. Incentives to be offered to the private sector to strengthen their good work must include a formal partnership with local administration, easy grant of 12A, 80G and Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects. This will be instrumental in encouraging enhanced voluntary participation of greater number of corporate houses in CSR activities.

- It is noted that CSR as a subject or discipline should be made compulsory at business schools and in colleges and universities to sensitize students about social and development issues and the role of CSR in helping corporate houses strike a judicious balance between their business and societal concerns. Such an approach will encourage and motivate young minds, prepare them face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor. It is recommended that involvement of professionals from the corporate sector, nongovernmental organizations and business schools would be key in ensuring youth participation in civic issues.

- It is found that there are approximately 250 corporate houses in the country that are directly involved in various CSR initiatives. These companies continue to decide their own projects depending on a number of parameters. These efforts are driven purely by the company's operational perspectives and ease of implementation of their CSR projects. As there are a number of companies involved in CSR activities, it is recommended that an accreditation mechanism should be put in place for companies through an independent agency for mainstreaming and institutionalizing CSR in the main business framework of the companies.

- It is found that companies involved in CSR implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment, to mention a few. In many such contexts, it's noticed that companies end up duplicating each others' efforts on similar projects in the same geographical locations. This creates problems and induces a competitive spirit amongst companies. Considering the diverse issues and different contexts that exist currently in the CSR domain, it is recommended that companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility. This alliance, representing various industry interests, should take up broad development agenda and provide high value services to the poor and the underprivileged. Over the years, the alliance would grow into a special purpose vehicle (SPV) and work closely with stakeholders to raise the level and quality of CSR interventions. There are already such models available in different industry segments both within the country and overseas; all that is needed is to identify and leverage these models to set up a national platform for effective though alignment between companies and other stakeholders, in order to redefine CSR practices in India.

- It is noteworthy to underline that the Government's policy documents have adequate levers to ensure 'public co-operation' in planning process. The 1951 Plan Documents and other subsequent policy pronouncements amply demonstrate the intent of the Government in this regard, underscoring the value of participatory approach in the context of larger governance mechanics. The 'public co-operation' element has further been ensured by the involvement of various interest groups in drafting of the 'National Policy on Voluntary Sector- 2007', under the aegis of the Planning Commission, Government of India. The National Policy was subsequently cleared by the Cabinet in 2007 and is one of the finest blueprints available on partnerships between the Government, the voluntary sector and the private sector.

- Partnership between the Government and other interest groups have been well defined in policy documents at all levels and as a result have come to stay; the only effort needed now is to develop common strategies to translate policy pronouncements into demonstrable action agendas. This will be of prime importance in ensuring a 'bottom-up' approach for various development initiatives in the country.

- The role and efforts of the private sector in taking development agenda forward with focus on education, health, environment, livelihood, women empowerment, disaster management to mention a few have been visible and effective. Some innovative models are also available of private sector interventions in these areas. In order to push the development agenda in a mission mode, it is recommended that realistic and operational models of engagement between all three important stakeholders– the Government, the non-governmental organizations and the private sector – are jointly explored and addressed.

9. 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;
Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

10. ACKNOWLEDGEMENT

11. GLOSSARY

ACCSR - Australian Canadian Corporate Social Responsibility
ASR - Asian Sustainability Ranking
CSR - Corporate Social Responsibility
CREM - Consultancy and Research for
Environmental Management
FCRA - Foreign Contribution Regulation Act

ILO - International Labor Organization

MNC - Multinational Companies

NGOs - Non-governmental organizations

PSU - Public sector undertakings

SAP - System Application & Products

SRI - Socially Responsible Investment

TNC - Transnational Companies

UN - United Nation

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