

Corporate Social Responsibility in India: Challenge or Opportunity

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Abstract—*In the current age when corporate world is spreading its roots and wings, its impact is bound to touch every dimension of the society's framework. The effect the ever growing corporate sector has on everyone around it is tremendous. However whether this impact is positive or negative depends on many factors. To make the sector more aware and responsible for its actions so that the effects it has on the society is more and more positive; the concept of Corporate Social Responsibility has been coined.*

This paper aims to delve into the issue by first understanding the concept of CSR as relevant in Indian context. Keeping in mind the nature of the study, this paper uses secondary data to look into the issues and challenges which companies and the society face as a result of the CSR.

Finally it tries to contribute to the issue by suggesting some ways which can make CSR more productive for the society and the organizations as well.

1. INTRODUCTION

The concept of Corporate Social Responsibility has evolved over a period of time. However, when it comes to define it strictly, there is no universally accepted definition. Broadly, it can be defined as the ethical behavior of a company towards the society so as to build trustworthy and sustainable relationships with the community at large. In the past it involved charities and donations but today it is a much wider idea. The corporate sector implements this idea by-

1. Contributing to educational activities for the poor,
2. Providing medical and health care facilities to the underprivileged
3. Spreading awareness among the rural workers about how they can make their respective activities more effective and raise their standard of living
4. Being environmentally conscious so that the actions of the company do not ruin the environment beyond repair.
5. Providing disaster relief when the need arises.
6. Contributing to women empowerment and child welfare
7. Providing training to enhance human resource in the backward sections of the society.

Besides these, other activities which contribute to welfare of the society are also a part of the CSR universe.

As far as the legal guidelines go, according to the Companies Act, 2013, any company with a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore needs to spend at least 2% of its average net profit in the preceding three financial years on CSR activities. In case it is unable to do so, the company needs to explain the reasons for same to its stakeholders in its report to the Board of Directors.

Collaboration with a NGO, teamwork with its own trust or foundation, combining the resources with another company for specific causes, are few of the options available to the companies for executing CSR related responsibilities. The law also involves constituting a CSR committee which is to be held responsible for decisions on CSR expenditure and the subsequent type of activities.

The main objective is to promote the business houses to return to the society what the society has given to them in making their business successful. CSR aims to make the corporate sector realize and take the responsibility of the effects their actions have on the society, consumers, employees, suppliers and environment. It goes beyond mere legal compliance and encourages voluntary contribution by the companies. However, it does not mean that the companies forego their objective of profit making and looking after the interests of the stakeholders. The intention therefore, is to achieve a balance between both the factors by integrating societal, environmental and economic concerns into their values, culture, decision making, strategies and operations so that on one hand the companies are able to create wealth and on the other they are active participants in the progression of the society.

2. THE CURRENT SCENARIO IN INDIA

India being a developing economy with a huge population cannot depend upon the limited resources of the Government sector alone to achieve an overall development simultaneously. It therefore needs support to build a strong nation. Here comes into play the role of the corporate sector which has gained a lot of strength in the past few decades. Businesses have flourished and corporate giants have emerged making a mark across the globe. It is therefore natural for the

country to seek a reciprocal action from the industry. The organizations also realize the importance of being in touch with the 'noble side' of the business as a result; CSR has become increasingly prominent in the corporate sector of India.

Although the idea of CSR is not totally new in India, but the shape it is taking now is much more different from what it was initially. Donations and charities were major instruments of CSR in yesteryears but now the horizon has expanded and many more activities have become its important components. The execution of CSR is much more planned and organized today as many companies have now made it an essential part of their strategies and policies. There are separate teams of employees who are assigned the CSR activities of the company. These teams are in charge of every CSR related activity; designing of the basic policies, outlining of specific objectives, preparation of the budget along with the final implementation, everything is in the hands of these teams. One thing however is kept in mind by many companies that the philosophy of CSR should be closely aligned to the basic goals and the expertise area of the business. However, this scenario is not universal, and is practiced in a limited number of companies.

Many projects have been carried out by a large number of corporate houses with the aim of achieving the CSR objectives in mind. Some of the examples are as follows-

1. Axis Bank runs Bal-badis and skill development programs for youth in some backward districts.
2. Mahindra and Mahindra runs Nanhi Kali to support education of underprivileged girls, provides livelihood training to youth and also works for environment, health and sports related causes.
3. TCS works for providing adult literacy, skill development and health care
4. BPCL has associated itself with a rain water harvesting project and skill development programs through Boond, YuvaParivartan and PREMA.
5. TATA Steel is running a program to improve agricultural productivity and raise standard of living of the farmers.

Moving on to the picture of CSR in Indian economy as sketched by various studies-

1. Karmayog, an India based NGO, gave CSR Ratings of the 1000 largest Indian companies in 2008. The study rated only 10 companies at level 4 and none at level 5 which is the highest level. Also 49% of the sample companies were not doing any CSR. Large number of public sector companies involved in the study, were doing CSR largely due to the mandatory regulations on social sector expenditure for PSUs.
2. Nielsen India Corporate Image Monitor 2008, a study designed to measure people's perceptions of the image and reputation of India's leading companies, brought to light the issues which are addressed by the companies in CSR and the issues which the society expects them to.

According to the report, Reliance Industries, Tata Motors and Tata Steel are the companies most admired by stakeholders for their CSR initiatives. Better health infrastructure, fighting diseases like HIV AIDS, Malaria, TB, Cancer and immunization programs and primary, higher education & adult literacy are the main issues which the society felt important to be addressed under CSR. Also, environmental protection is taken as given in the list as it is expected of every company to take it as part of their routine hygiene.

3. CSRidentity.com, together with Forbes India studied the CSR spending by top 100 firms (by revenue) in India along with the nature of the activities undertaken for the same. Many conclusions were drawn like companies are not disclosing the exact amount of the CSR spending; the companies with more spending are mostly public sector companies which act mainly out of compliance to the law. The sector-wise composition of CSR funds is also skewed where, automobile sector is ahead of others and service sector lags far behind.

These are only few studies which reflect that the Indian corporate world is in a very embryonic stage of implementation of CSR. Many changes and new initiatives are required to be incorporated to make it a strong pillar of corporate culture in India.

3. CSR—THE CHALLENGES

Corporate social responsibility just like any other activity, has its own challenges some of the more prominent ones can be listed as follows-

1. The sheer size of the country and the domestic corporate sector makes it nearly impossible to keep a close check on every aspect of CSR.
2. The sector-wise imbalance in the CSR expenditure is quiet prominent.
3. Very few companies have a clearly defined CSR philosophy. Most implement their CSR in a temporary manner which is not aligned with their business process.
4. The amount allocated by the companies for CSR although made mandatory, is not actually spend by any company except for one or two.
5. The directions in which the money can be disbursed are decided by the company on its own discretion and convenience.
6. Most companies spread their CSR funds thinly across many activities, thus somewhere losing the purpose of undertaking that activity.
7. The involvement of employees and trade unions in CSR activities is not there which creates a gap between the companies' activities and the acceptance by the employees of the same.
8. Many a times, unions and employees perceive a trade-off between employee welfare and CSR spending.

9. Clarity on CSR definition is missing as it needs to be explained that initiatives that reach out to communities, to the external institutions and not the company's own staff, fall under the umbrella of CSR.
 10. The general perception sees CSR as a marketing gimmick and it is believed that the companies spend only either under compliance or when the activities can benefit them in increasing the sales. It is believed that companies take it as an opportunity to imprint their identity on the minds of the beneficiaries of their projects who are part of the consumer base.
 11. As activities taken under CSR do have a positive impact on the image of the company, no tool has yet been developed to identify the driving force of CSR activities as social responsibility or as a tool of advertising.
 12. Many see the mandatory CSR expenditure as an unnecessary burden on the companies. This hampers the willing acceptance and execution of the same.
 13. Very few companies are engaged in CSR activities in the local communities where they are based.
 14. Many organizations rely on NGOs to fulfil their obligations related to CSR and are not themselves directly linked with the activities. Token gestures towards CSR are made by ways of donations to charitable trusts or NGOs, sponsorship of events etc.
3. The companies consider the impact of their activities on the community and make efforts to reduce the negative impacts which benefit the society.
 4. The social causes if undertaken by the corporate sector, help in shouldering the responsibility of the government and gives the corporate sector a chance to return to the society which is contributing to its growth and profits.
 5. Addressing multiple issues in a particular region by a business house may lead to better and faster improvement of backward areas as compared to attention by the government in bits and pieces and that too in a limited context to a particular issue at one time.
 6. The focus on new opportunities to respond to interrelated economic, societal and environmental demands in the marketplace leads to competitive advantage and initiates corporate innovation as well.

These challenges pose a great difficulty in achieving the desired result as aimed in the inception of the idea of CSR. However, they should not be looked upon as the final thwarting forces. Steps need to be identified and initiated to overcome the same. This is also necessary because the opportunities which CSR provides to the society and the corporate sectors are immense which if realized shall create a whole new world.

4. CSR: AN OPPORTUNITY

Any entity which is a part of the corporate world would always strive to not only ensure its survival in the long run, but also to make sure that it acquires the status of major player in its area. Both the objectives can be achieved if and only if the company is able to build a strong bond with its consumer base and the society in general. The stronger the image of company greater is the chance of its success.

Many big companies across the globe and in India as well, have realized that having a strong connection with the society can be developed with the implementation of corporate social responsibility

Some of the prospects which open up as a result of CSR can be listed as follows-

1. Awareness among the masses about the company's existence is created in very easy and long lasting manner.
 2. Positive image creation of the company due to association with socially beneficial causes.
1. Proper check on mandatory expenditure on CSR is required. A system needs to be put in place for the same which can assess whether the companies are following the guidelines.
 2. A tool to assess the impact of CSR activities is to be developed to find the real effect and measure the benefits of the entire exercise.
 3. Mandatory disclosure of the expenses incurred and the activities undertaken for the same is to be practiced.
 4. Employee involvement in the planning and execution of social responsibility needs to be escalated wherein they

Sky is the limit if social responsibility is to be executed by the corporate sector. The activities which can be undertaken and the benefits which can be provided to the society at large are limitless. However, these opportunities can be taken advantage of if the challenges are faced and overcome by us as a nation.

5. CONCLUSION

Social responsibility is increasingly becoming a widely accepted as well as expected social process. The accountability and awareness for the same is also increasing wherein those who are a part of it, are required to reflect their commitment to the cause. If on one hand critics contend that CSR sidetracks companies from their basic economic role, and that it is nothing more than superficial window-dressing to just fulfil the norms and belong to the category of organizations which are active on social front. On the other hand, the proponents maintain that CSR helps in long run survival and profitability of the company and that too in multiple ways. Weighing out the challenges and the opportunities involved in planning and execution of corporate social responsibility makes it evident that much more ground work is still required to build a strong foundation for the entire system to function properly.

To intensify the arguments in favor of CSR and to achieve the desired effectiveness of the CSR planning and execution some recommendations are as follows-

- can devote their time and skill for the betterment of the society
5. A clearly defined social philosophy needs to be framed which shall closely align with the companies' core competency. Also it needs to be clearly and strongly communicated to all the employees as well as the stakeholders and should reflect in the actions of the company.
 6. A common strategy to ensure transparency in the social and community development operations through tracking of the spending in and progress of such projects in the annual reports is to be devised and followed.
 7. Clear difference between philanthropy and internal practices to benefit stakeholders such as employees and community needs to be elucidated to avoid inclusion of employee benefit activities in CSR.
 8. The number of activities undertaken by companies for CSR and the funds devoted to each activity need to be checked and guided so that minor contributions in several directions can be replaced by major initiatives in one direction for greater impact on the social causes.

The removal of every kind of impediment which prevents complete realization of the goals set in CSR although difficult to achieve, is not completely impossible. Nonetheless, its actual success lies in voluntary acceptance and execution of the principle by the entire society and not through mandatory obligation. The ultimate achievement of economic development of any country is that its benefits are reaped by the entire population. Is it not the final destination every country dreams of reaching? Then who better than the primary beneficiaries of development taking place in the country to participate and contribute for achieving the same for the entire country? The corporate sector can act as a major contributor in this direction by participating in CSR with wholehearted devotion.

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