# Corporate Social Responsibility in India: Issues and Challenges

**Bharata Bhusan Sahoo**

Head & Lecturer , Dept. of Commerce, Karilopatna College, Kendrapara, Odisha, India

**Email -** bharatabhusan@gmail.com

***Abstract:*** *As India rides the wave of commercial success, corporate social responsibility is presenting itself both as an opportunity and an important requirement. Corporate Social Responsibility is one of the initial and key conceptions in the academic study of business and has prominent impact in the Indian social psyche towards betterment of the standard of life. Today, IT sector has been of the booming sectors of the Indian economy and there is no doubt that Companies like Microsoft, Infosys, TCS etc., has played a major role in achieving sustainable livelihoods mission. Companies which aspire to be, or are, leaders in corporate social responsibility are challenged by rising public expectations, increasing innovation, continuous quality improvement and heightened social and environmental problems. Corporate executives must find new ways to address the social, economic, and environmental effects by emphasizing the alignment of CSR with business strategy. In the current social situation in India, to bring about changes, effective partnerships between corporate, NGOs and the Government are needed for betterment of the corporate sectors to accomplish their goals with minimum challenges and for better business Opportunities. This paper focuses on challenges and Opportunities to the meadow of business administration in relation to CSR.*

***Key Words:*** *CSR, NGOs, business, corporate.*

## 1. INTRODUCTION:

A new and emerging strategic issue on the CSR agenda involves a move towards creating more inclusive businesses. A detail discussion will examine innovative strategies for economic and social development that includes poor and disadvantaged groups in the value chain of companies. Many companies are seeking to better develop inclusive business approaches as part of their business strategy to expand market access which also link to community investment strategies and poverty alleviation. While such approaches can bring market opportunities in new markets there are also possibilities to 'create shared value' through products, services and business innovations where, CSR can play a critical role. Similarly, there is growing interest among managers in the antecedents and consequences of CSR, especially for executives at multi-national, multi-divisional companies. These corporate leaders are mindful of the fact that business norms and standards, regulatory frameworks, and stakeholder demand for CSR can vary substantially across nations, regions, and lines of business. They are also aware that their divisional managers are under constant pressure from employees, suppliers, community groups, NGOs, and government to increase their involvement in CSR. 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 changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business. In the 1960s and 1970s the civil rights movement, consumerism, and environmentalism affected society's expectations of business. Based on the general idea that those with great power have great responsibility, many called for the business world to be more proactive in(1) ceasing to cause societal problems and (2) starting to participate in solving societal problems. Many legal mandates were placed on business related to equal employment opportunity, product safety, worker safety, and the environment. The wealth that one generates and holds is to be held as in a trust for our multiple stakeholders. With regard to CSR, this means investing part of our profits beyond business, for the larger good of society. Furthermore, society began to expect business to voluntarily participate in solving societal problems whether they had caused the problems or not. This was based on the view that corporations should go beyond their economic and legal responsibilities and accept responsibilities related to the betterment of society. This view of corporate social responsibility is the prevailing view in much of the world today. Corporate social responsibility is related to, but not identical with, business ethics. While

CSR encompasses the economic, legal, ethical, and discretionary responsibilities of organizations, business ethics usually focuses on the moral judgments and behaviour of individuals and groups within organizations. Carroll and Bocholt's four-part definition of CSR makes explicit the multi-faceted nature of social responsibility. The economic responsibilities cited in the definition refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price. Organizations are expected to be efficient, profitable, and to keep shareholder interests in mind. The legal responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws. The ethical responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way. This means that organizations are expected to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law. Finally, the discretionary responsibilities of corporations refer to society's expectation that organizations be good citizens. This may involve such things as philanthropic support of programs benefiting a community or the nation.

## 2. OBJECTIVES:
- To study the CSR status in India.
- To understand the meaning and various models of CSR.
- To study the challenges faced by CSR in India.
- To make suggestions for accelerating CSR initiatives.

## 3. RESEARCH METHODOLOGY:
This research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into the objectives of the study the research design employed for the study is descriptive research design. This research design was adopted to have greater accuracy and in depth analysis of the research study. Secondary data have comprehensively used for the study. Information from different news articles, Books and Web sources are used which are recorded and enumerated.

## 4. LITERATURE REVIEW:
Christoph Lattemann et al. (2009), in their study examined why business firms in China in spite of having a higher level of economic growth, communicate less about CSR than those of firms in India. They underwent the factors relating to country, industry and firms in order to know the intensity of communicating CSR and concluded that Indian firms communicate CSR more due to a more rule based rather than relation based governance environment.

Sanjay Pradhan, Akhilesh Ranjan (2010) attempt to explore CSR practices for rural development. Review of selected private and public companies CSR practices revealed that CSR actions have positive impact on rural community and business development both.

Shruti Gupta (2011) empirically examined CSR perception comparatively between Consumers in India and USA. Findings revealed that a substantial part of US consumers were unaware of CSR initiative companies. It was concluded that both the countries have a positive level of CSR practices incorporated in their business firms.

Dr. Satish Kumar (2012) explored CSR initiatives by 30 BSE listed Companies. The study concluded that CSR initiatives of the companies under study are independent of the level of revenue, type of ownership and the type of public and private sector.

## WHY CORPORATE SOCIAL RESPONSIBILITY?
Corporate Social Responsibility main aim is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public spare. There are many numbers of business models developed in order to achieve CSR objectives. Being a good corporate citizen the companies have to be internally well governed and externally responsible. In other words, CSR and corporate governance are two sides of the same coin.  The following are some of the drivers pushing business towards Corporate Social Responsibility.

- The Shrinking Role of Government: 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: including customers, suppliers, employees, communities, investors, and activist organizations.
- Increased Customer Interest: 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: The Social Investment Forum reports that in the US in 1999, 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.
- Competitive Labour Markets: Employees are increasingly looking beyond pay checks 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 are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

## 4. 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 behaviour are also favoured 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;

## 4. CSR IN INDIA:

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has had a long tradition of corporate philanthropy 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. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society. According to Infosys founder, Narayan Murthy, "social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment." Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relation with stakeholders(Bajpai, 2001). The 2001 State of Corporate Responsibility in India Poll‖,

a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches

Ethical Model (1930 – 1950): One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

Statist Model (1950 – 1970s): Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

Liberal Model (1970s – 1990s): The model was encapsulated by Milton Friedman. As Perth is model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

Stakeholder Model (1990 – Present): The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to full fill. The model expects companies to perform according to "triple bottom line" approach. The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework given below;

| Model | Focus | Champions |
|---|---|---|
| Ethical | Voluntary commitment by companies to public welfare | M.K. Gandhi |
| Statist | State ownership and legal requirements determine corporate responsibility | Jawahar Lal Neheru |
| Liberal | Corporate responsibilities limited to private owners (shareholders) | Milton Friedman |
| Stakeholder | Companies respond to the needs of stakeholders-customers, employees, communities, etc | R. Edward Freeman |

## 5. ISSUES AND CHALLENGES OF CSR:

There are number of challenges to the implementation of CSR. They are enumerated below:

• Lack of Awareness of General Public in CSR Activities: There is a lack of interest of
the general public in participating and contributing to CSR activities of companies. This is because of the fact that there exists little or no knowledge about CSR. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

• Local Need to Build Capacities: There is a need for capacity building of the local nongovernmental organizations 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 challenges for the corporate as there exists lack of transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This negatively impacts the process of trust building among the companies which is a key to the success of any CSR initiative.

• Non-Availability of Well Organized Non-Governmental Organizations: 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.

• Visibility Factor: The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organizations to involve themselves in event based programmes; 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 as donor-driven. As a result, corporates 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. The scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger its CSR programme.

• Lack of Consensus on Implementing CSR Issues: There is a lack of consensus amongst implementing 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 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.

## 6. CONCLUSION:

In today's informative world where information is readily available to general public CSR has been an important part of any organization to be successful. Organization in present world cannot be successful without taking into account the social responsibility. CSR has been a vital component for any organization to have perpetual success and to create brand. The concept of corporate social responsibility is now firmly rooted on the global business agenda. Corporate Social Responsibility is the duty of everyone i.e. business, corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business.

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