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Corporate social responsibility: Its roles and challenges in Indian context

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Abstract

Corporate social responsibility (CSR) is gaining more and more importance day by day. Maximum organizations are showing their commitments towards CSR either for enhancing their corporate image or to be in competition. Changing market situations and globalizations are adding heat to the CSR thought. Emergence of different marketing innovations demands has the direct linkage of corporate social responsibility practices with the business corporate strategies. In this relation Indian companies go ahead of their economic and legal obligations to establish mutual trust and accept responsibilities related to the betterment of society. The paper discusses the role of corporate social responsibility along with the major issues/challenges faced by Indian firms, and suggests remedial measures for effective implementation of CSR initiatives.

Keywords: CSR, Globalization, competition, innovation.

Introduction

In today's changing environment, Corporate Social Responsibility (CSR) is a growing area of interest for academics, practitioners and entrepreneurs, in terms of both theory and practice. It is a concept whereby companies link social, environmental and health concerns in their business strategies and operations in communications with their stakeholders on a voluntary basis. The social responsibility of business organization encompasses the economic, legal, ethical, and unrestricted opportunity that society has of organizations at a given point in time. As the world is shrinking due to globalization, the concept of Corporate Social Responsibility (CSR) has acquired an unquestionably high degree of relevance and scope in a large number of sectors. Within this context, one frequently question is asked i.e. what theory or model should be followed for implementation of CSR practices? In order to contribute to the importance of the contributions made by the business towards society, the present paper tries to plot the theoretical and practical point of view on CSR by studying literature on CSR.

Blowfield, M. (2005) found a critical approach to CSR not only requires asking how CSR affects company behaviour in developing countries, but also to ask if, and how, business is affecting the meaning of development itself. The author argues in this article that business is definitely affecting development, and one of the ways this happens is by allowing business thinking to dominate the way we view the world and to become the norm against which everything else is tested for true and false value.

Chaudhary and Wang (2007) found that the number of companies with disclosures on internet is evidently low in India in top 100 Information Technology companies. Though the study did not prove the lack of CSR activities but it certainly proved lack of proactive CSR communication, simply put the companies carried out CSR activities but did not disclose them properly.

Hossain and Reaz (2007) investigated the extent of voluntary disclosures by 38 listed banking companies in India. The empirical research concluded that the size and assets were the significant factors influencing disclosure whereas age, diversification, board composition and multiple exchange listing and complexity of business are not significant variables influencing social reporting practices of Indian banking companies.

Murthy (2008) examined the corporate social disclosure practices of the top 16 software firms in India. The 2003-2004 annual reports were analyzed using content analysis and it was found that the human resource was the most frequently reported followed by community

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development activities and the environmental activities was the least reported. Most of the information was qualitative and was disclosed in the other sections of the annual report. Some firms had separate sections for each category while many others disclosed their social practices in the introductory pages of the annual report. The researcher suggested that shortage of skilled labour in the software sector might have lead to social disclosure (CSD) practices in the human resources. Firms seemed to have engaged in community development activities without expecting changes to their economic performance and the CSD of community activities seemed to be shaped by the expectations of the society.

Jatana and Crowther (2008) edited book named "Corporate social responsibility – theory and practice with case studies" has shed light on myths of Corporate social responsibility, value addition, Globalization perspectives on corporate governance whistle blowing policies as corporate social responsibility and other contemporary issues in corporate social responsibility. In addition, it dealt with various case studies related to various industrial sectors insurance, private banking, SMEs, Information Technology, power generation sectors and companies like Abuja cements, Coca- Cola. In all these articles details of current projects pursued by companies has given but the CSRD has not been measured as such.

Planken *et al.* (2010) investigated CSR platforms and the communication surrounding those platforms in India and established that the CSR platforms are typically used, together with stakeholder attitudes to both the form and content of those platforms. The authors presented the fact that the selected Indian corporations pursued a primarily generous platform with a focus on community development projects, as predicted by previous studies. It also indicated, however, that Indian consumers may not value philanthropic CSR as highly as other CSR initiatives.

Research Methodology

The paper is descriptive in nature. The information's have been analyzed for preparing the paper comprehensively. The secondary information has been collected from different past researches and books, articles which are published in different journals, periodicals and websites.

CSR Scenario: A Theoretical Discussion

CSR is not a new concept in India. Corporate bodies like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation have been involved in serving the community. Through donations and charity events, many other organizations have also been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of companies feel that CSR is not just another form of indirect expense but is significant for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set apart budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the

employees who are fundamental to this process. CSR programs ranges from community development to development in education, environment and healthcare etc. Example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living. Corporate increasingly join hands with non-governmental organizations (NGOs) and use their expertise in devising programs which deal with wider social problems.

The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporate. Not one but all corporate should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnership between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more has to spend at least 2% of last 3 years average net profits on CSR activities as specified in Schedule VII of the Companies Act, 2013 and as amended from time to time. The rules came into effect from 1 April 2014.

SEBI, as per its notification on August 13, 2012, has mentioned that enterprises are accountable to the larger society and "adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance".

SEBI has mandated the inclusion of Business Responsibility Reports as part of the annual reports of the Top 100 listed entities based on market capitalization at BSE and NSE. It is mandatory to make these reports available on the website of the company. For companies that do not belong to Top 100, inclusion of Business Responsibility Reports is not mandatory, though SEBI encourages its inclusion in the annual report and website.

Current Trend and Status of Corporate Social Responsibility in India have shown that India's CSR performance of public sector enterprises has ranked some of the best in Asia. For instance, Coal India Ltd. (CIL) targeted to invest US\$ 67.5 million in 2013-14 on social and environmental causes. Similarly, NALCO has contributed US\$ 3.23 million for development work in Orissa's Kora put district as part of its CSR. India Inc has established a global platform to showcase the CSR performance of Indian business entities. In the same vein, Confederation of Indian Industry (CII) and the TVS Group collaborated to set-up the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. Given this, India has been named among the top ten Asian countries for its emphasis on CSR disclosure norms. The social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009, ranked the country fourth in the list. Similarly, in September 2010, 'Sustainability in Asia Reporting Uncovered' based on four parameters viz.

General, Environment, Social and Governance has positioned India only second in country ranking in Asia and is ranked as first in general category. However, private business entities have generated a mixed reaction from general public. Some of the private enterprises have significantly contributed towards sustainable development and social welfare programmes such as, increasing green covers, introduction of more sophisticated technology to reduce Greenhouse Gases emission, increased contribution in health, development of rural infrastructure and enabling the youth to get employment.

Business firms like, Reliance Industries, Tata Motors and Tata Steel have achieved appreciation for their corporate social responsibility initiatives. Similarly, global business giant IBM has collaborated with the Tribal Development Department of Gujarat to facilitate development of tribal in the Sasan area of Gir forest. More Effective Corporate Participation towards CSR regime needs to focus of four important issues:

- Setting standards.
- Monitoring compliance with standards and exposing abuses.
- Creating binding legal obligations.
- Enforcing those binding laws.

However, in an era of ever increasing desire for more and more luxurious life style it is becoming a discouraging task to follow Herrmann's notion of effective CSR performance. Corporate operating in a market based economy believes in the quality and price of a product in order to attract maximum numbers of consumers. The national governments in both developed and developing countries are under tremendous pressure from corporate giants to minimize restrictions on their economic pursuits. Corporate needs people, raw material and a peaceful environment to sell procured goods which are available only in a society. Recent surveys have also shown that consumers have preferred to buy the products of those business entities which are more sensitive towards CSR. It is therefore for the best of corporate interest to harmonize personal interest with larger public interest for the greater welfare of society as well as corporate.

Conclusions

Although, there are sufficient laws which focus on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach. Though, there has been limited success in achieving the goals of CSR. The uncertain economic scenario, poverty and unemployment, it becomes very difficult on the part of government to take stringent action against national and multinational business firms to ensure greater compliance to CSR laws and legislations. Country's public sector enterprises have one of the best CSR ranking in the world and some of the private sector firms have equally earned praise for their efforts in the domain of education, health and welfare oriented schemes. Big welfare schemes like national Food security Act need active financial supports from corporate to make such schemes a success. Non-governmental organisations, civil society and media have further enhanced the scope for greater cooperation and harmony between corporate and the society in which they operate. Finally, we have a welfare oriented democracy in which our political classes should be perceptive towards the welfare of the common masses.

Findings and Suggestion

The present paper proposes a distinction between theoretical approaches for implementation of the CSR practices by proposing a framework for social responsibility practices. It is not to say that organizations' social responsible practices can be explained only through the notion of above mentioned social responsibility factors but the combination of these perspectives must be considered, along with Carol's model of social responsibility.

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. A lack of understanding, inadequately trained personnel, non availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. further adds to the reach and effectiveness of CSR programmes. But the situation is changing. Some argue that CSR is merely window-dressing, or an attempt to pre-empt the role of government as a watchdog over powerful multinational corporations. The Times survey pointed few of the following challenges/responses from participating organisations.

- Lack of community participation in CSR activities.
- Need to build local capacities.
- Issues of transparency.
- Narrow perception towards CSR initiatives.
- Non-availability of clear CSR guidelines.
- Lack of consensus on implementing CSR issues.

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. It is a joint and shared responsibility of civil society, activist groups, Government and corporate sector to create appropriate means and avenues for the marginalized and bring them to the mainstream. The CSR survey revealed, not surprisingly, those organisations targeted most of their activities close to home providing services for people who live in villages, towns, and districts near where the organisation operates. Education, health, and the environment are the top priorities. More than likely, these priorities will continue. To create a win situation, it is essential for all of us to work together to alleviate abject poverty and improve miserable living conditions that exist in rural India.

Suggestion

1. To create awareness about CSR amongst the general public to make CSR initiatives more effective.
2. CSR as a subject or discipline should be made compulsory at B-schools, in colleges and universities to sensitise students about social and development issues.
3. To develop partnerships between all stakeholders including the private sector, employees, local communities, the Government and society and extend CSR initiatives activities to small, medium and large corporate houses as well as in urban areas and locality.

4. Corporate houses and NGOs should actively involved in 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.
5. Government should recognizing and reward corporate houses/NGOs and their partners 'in effective implementing projects for the poor and the underprivileged.
6. Partnerships between the Government and other interest groups have been well defined in policy documents at all levels and to develop common strategies to translate policy pronouncements into demonstrable action agendas.
7. Lay more focus on education, health, environment protection, livelihood, women empowerment, disaster management, green marketing, ethical practices, etc., and other social and community relevance issues.
8. To underline the Government's policy documents to ensure _public co-operation 'in planning process of CSR initiatives.
9. Innovative models are to be popularizing among corporate in these areas.
10. In order to push the development agenda in a mission mode, it is recommended that realistic and operational models are jointly explored and addressed.
11. In this context, the Times of India Group New Delhi Indu Jain, Chairperson, rightly opined Corporate Social Responsibility Practices in India through alliances and partnerships with sustainable development approaches.

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