



Corporate Social Responsibility: A Need and Challenges in Reference to India

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Abstract:

With the development of Industries in India, economic development and growth has been witnessed expected in the country but there are various challenges that the country is facing at present and government all alone is not in a position to cope up with the situation. That's why corporate sectors have been explained to contribute something for the betterment of the country as the government is also trying the same. Considering the importance of this concept, Corporate Social Responsibility is an emerging trend. Even company bill 2013 has also made it mandatory for all the corporate sector to contribute 2% of the last three years of their profit so that the betterment and upliftment of the economy can be faster and the progress can be termed in the real sense. The researcher in this paper has explained the growing importance of CSR in India, its impact of the economy and the challenges to convince and lead the all corporate sector towards fulfilling CSR voluntarily and more than expected norms designed by the government.

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

1. Introduction

Corporate Social Responsibility is an emerging trend in the present era of modern economy. The traditional governance model were considering shareholders as an important stakeholder but the concept has changed and not only shareholders but all the stakeholders who are affected with the business are considered important like investors, bankers, customers, employees, press media, local community, environment etc. 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.

2. 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. (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.”

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.”

3. Objectives of the study

- To study the CSR status in India.
- To understand the meaning and various models of CSR.
- To study the policies governing CSR in India.
- To study the challenges faced by CSR in India.
- To make suggestions for accelerating CSR initiatives.
- To study the CSR in SMEs.

4. 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 researcher procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

5. Models of CSR

5.1 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.

5.2 Statist Model (1950 – 1970s)

Under the aegis of Jawahar Lal Nehru, this model came into being in the postindependence 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.

5.3 Liberal Model (1970s – 1990s)

The model was encapsulated by Milton Friedman. As per this 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.

5.4 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 fulfill. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms.

5.5. CSR in SMEs

CSR is in general expected from the corporate field but the role of CSR in the reference to Small and Medium Enterprise (SME,s) is really remarkable. In India, the total proportion of SMEs are maximum and if they too contribute something better for the economy as whole then the functioning can be done in comparatively easy terms. Considering this importance CSR has been extended to SMEs also. Small to medium-sized enterprises account for about 90 percent of businesses worldwide and are responsible for around 50 to 60 percent of employment. They, potentially have a significant impact on social welfare. As the SMEs also include stakeholders and an impact on the society, it is necessary to understand the role of SMEs in CSR activities. However, it is difficult to enroll the concept for SMEs as they face challenges of survival, time and resource constraints, fear of additional regulations and no systematic incentives. General problems like lack of information, getting trained employees, and getting support from related officials are other limiting factors for SMEs to get involved in CSR activities. However, there are several benefits available to SMEs like small number of employees with quick communication and decision making, unique selling propositions and competitive benefits through their products and services, cost and efficiency savings. According to a study by the European Commission in 2007 (‘Corporate Social Responsibility in SMEs - SMEs Good practice’), CSR can positively influence SMEs’ competitiveness in numerous ways. SMEs can provide with improved products, high customer loyalty, motivated employees, innovative and creative employees, cost savings, increased profitability due to optimum resource utilization, enhanced networking with business partners and improved company image. Thus, it is advisable for the government to look into policies and legislations for the benefits of SMEs adapting CSR and take up initiatives aimed at encouraging SME involvement in CSR which should be easily accessible and relevant.

6. Policy Initiatives

In 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility. The central government is working on a framework for quantifying the CSR initiatives of companies to promote them further. To ensure the active participation of public sector companies in CSR initiatives, the government is planning to introduce certain legislations. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2 to 5 per cent of the company's net profits. As per the guidelines, companies with net profit of less than US\$ 22.5 million will earmark 3 to 5 per cent of profit for CSR, companies with net profit of between US\$ 22.5 million - US\$ 112.5 million, will utilise 2 to 3 per cent for CSR activities and companies with net profit of over US\$ 112.5 million will spend 0.5 to 2 per cent of net profits for CSR. This proposal was discussed two years earlier as well however due to protests from companies, it became voluntary exercise.

7. Challenges of CSR

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They

are challenging the companies' decisions-making in this direction. It has become imperative to incorporate stakeholders' views.

In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absences of training and undeveloped staff are additional problems for reduced CSR initiatives.

General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it. More the open and honest disclosure, the stronger and trusting relationships can be built with the stakeholders and consumers.

Small companies do not take adequate interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they loose out on people and their trust in them. Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. However, media is not doing enough in this regard.

The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept adequately.

8. Suggestions

Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organisation needs to recognise their own role in promoting CSR. Companies should provide wider professional development activities.

Training, conferences and seminars could be organised by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organisation's contribution further. Government regulations which are supporting in this direction could attract more response from organisations. All this would also lead to benchmark CSR activities.

Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

9. 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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