



Corporate Social Responsibility – Importance and Challenges in 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.

1. Introduction

The importance of CSR emerged significantly in the last few years. Over the time, CSR expanded to include both economic and social interests of the country. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent and more concern in accounting and display 'public reporting' due to pressures from various stakeholders. It is possible for companies to behave in the 'desired' ethical and responsible manner towards consumers, employees, communities, stakeholders and environment, press media and many other stakeholders. They have started incorporating their CSR initiative in their annual reports.

2. Objectives

1. To study the CSR in India.
2. To understand the meaning and various models of CSR.
3. To study the policies governing CSR in India.
4. To study the challenges faced by CSR in India.
5. To make suggestions for accelerating CSR initiatives.

3. Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

4. CSR concept, definitions, models

In India, the concept of trusteeship principle recommended by Mahatma Gandhi has been emerged through the concept of CSR. The trusteeship principle of Mahatma Gandhi is leading us towards the concept of CSR as he had advocated to do something better for the society if we are in a situation to cope up with our own need. At the global level, the first attempt to define CSR is contributed by many to Howard Bowen's Social Responsibilities of the Businessmen (1953) who questioned the status and degree of responsibilities that business people should accept. Milton Friedman introduced liberal model which stated that corporate responsibility primarily focus on owner objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests. During 1980s,

the CSR concept grew to integrate corporate objectives with the social responsibility of business thereby making it responsible to care for environment, employees and also make good profits. In the 1990s, Peter Drucker and many other authors propagated CSR as a part of corporate strategy. The approach to CSR has also changed from Agency theory to Stakeholder theory. Again, the stakeholder model emphasizes on survival of the corporation which throngs upon not only the responsibility towards shareholders but also towards employees, governments and customers. CSR is interchangeably used with several terms like business ethics, corporate citizenship, social and environmental responsibility, corporate sustainability.

World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

The European Commission's definition of CSR is: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders." Today the concept of CSR has undergone radical change. It has integrated social as well as environmental issues into their missions and decisions. Companies take keen interest in informing about their CSR activities to their stakeholders as well. Across the globe, business enterprises have undertaken CSR initiatives in the areas of water conservation, healthcare, rural welfare, environment protection, poverty alleviation, education, community investment projects, culture and heritage, biodiversity, disaster management and relief, culture and heritage, green environment, product responsibility, governance, waste management and gender equality.

5. CSR in India

In developing country like India, CSR is seen as part of corporate philanthropy in which corporations augment the social development to support the initiatives of the government. However with time, the scenario of CSR has changed from being philanthropic to being socially responsible to multi stakeholders. The period of 1960s and 1970s saw an emergence of CSR activities being inbuilt in corporate philanthropy. (Mohan, 2001).

India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. 'Sustainability in Asia ESG reporting uncovered' (September 2010) is based on four parameters viz. General, Environment, Social and Governance. In its study based on 56 companies in India, it observed that India is ranked second in country ranking in Asia and is ranked one ranking in general category. It is observed that reporting is strongly followed by companies as well as they seek international development standards. It could be attributed to the Indian government compelling the public sector companies to provide for community investment and other environmental, social and governance liabilities.

A key finding of the survey conducted in June 2008, aimed at understanding of the role of corporations in CSR, carried out by TNS India (a research organization) and the Times Foundation, revealed that over 90 per cent of all major Indian organizations surveyed were involved in CSR activities. Besides the public sector, it was the private sector companies that played dominant role in CSR activities. A study on the CSR activities of 300 corporate houses, conducted by an industry body

in June 2009, revealed that Corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. The study also revealed that about 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development

Another study conducted by Economic Times revealed that donations provided by listed companies grew by 8 per cent during the financial year 2008-2009 and that 760 companies donated US\$ 170 million in the same year, up from US\$ 156 million in the year-ago period. As many as 108 companies donated over US\$ 216,199, up 20 per cent over the previous year.

6. CSR Challenges

Many countries separate philanthropy from social responsibility. While in India, it is seen as weapon for social activities including recruitment and retention. Also, many argue that it helps in building an image of the organization. While some argue that government does away with their role of playing a regulatory body over the powerful business houses. Others criticize that CSR is not their basic economic role of business. Some even say that CSR is put in place to gain commercially as well. It is also argued that CSR initiatives undertaken result into deviation from basic business roles. While some others state that the impact of the CSR is not only impacts profits but benefits the society at large. In the light of these arguments, the trend of increased CSR initiatives cannot be ignored clearly reflecting the awareness the companies in India have gathered today.

7. 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 organization needs to recognize their own role in promoting CSR. Companies should provide wider professional development activities.

Training, conferences and seminars could be organized 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 organization's contribution further. Government regulations which are supporting in this direction could attract more response from organizations. 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.

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