CORPORATE SOCIAL RESPONSIBILITY AND ISSUES IN INDIA

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ABSTRACT

Business economy is an important part of our economic structure. Earning profit is not the only goal of present day business but to serve the society and to satisfy its employees as well as customers.. Today sound relations matters a lot and are necessary for the corporate success. Corporate Social Responsibility helps in winning the customer loyalty and confidence . CSR has been given several names as corporate citizenship, social responsibility or social philanthropy. CSR as described by Lord Holme and Richard Watts in 'Making Good Business Sense'. Society began to expect business to voluntarily participate in solving societal problems whether they had caused those problems or not. According to World Business council for sustainable development "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as the local community and society at large" Companies with high CSR standards are able to demonstrate their responsibilities to the stock holders, employees, customers, and the general public.

As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. A recent survey reveals that 79 percent of Americans prefer to buy products of companies that actively engage in corporate social responsibility events. This is quiet evident from the shift of the economy from short term objective to long term goal i.e. from profit sharing to survival in the business world by building reputation among the stakeholders. Companies are spending 2% of their profits on the upliftment and development of the society and country .Even companies are having CSR board committees . Now India is the only country to have CSR legislation. But this is not the task which can be done in isolation. Alone government can do nothing and only companies can do nothing. It is a mutual venture by government and the corporate world. In this connection Indian business world should go beyond their economic and legal obligations to establish mutual trust and accept responsibilities related to the betterment of society. The aim of this paper is to find out- Issues and challenges faced by corporate social responsibility strategies in community development in India.

Keywords : Corporate Social Responsibility, Community, Ethical , Legislation, Profit

INTRODUCTION

Corporate social responsibility is self governance effort of a corporate .It is known by different names like corporate conscience , corporate citizenship or responsible business or social philanthropy. Giant businesses look after the commitment to law of land , ethical standard fulfillment and development of community . Business man always do whatever is beneficial for him . Running social projects is another way to accomplish his long term goal of survival and large chunks of profit by establishing shareholder trust and high ethical standards and by taking responsibility for their action. It is a promotional effort for the corporate world.

Operating a business in a manner that meets or exceeds the ethical ,legal, commercial and public expectations that society has of business.

OBJECTIVES OF STUDY

* To understand the meaning of Corporate social responsibility
* To study the history of CSR .
* To Learn instances of CSR in the corporate world.
* To study issues in CSR in detail.

RESEARCH METHODOLOGY

The study is primarily based on secondary data. It is descriptive type .Considering the objectives , the research design was adopted to have greater accuracy and in depth analysis of the study. Data is taken from secondary sources

,articles , books and web is also used.

DESCRIPTION

This practice is largely practiced in India. But still it is in its nascent stage. Many organizations are spreading knowledge among corporate masses about essence and necessity of following the criteria of CSR. Pioneers have segregated history of CSR in four different phases. These divisions are not rigidly defined and had some duplication in features. Cultures and traditions accompanied with industrialization had a great impact on CSR in the first phase. In that phase corporate resorted to CHARITY and PHILANTHROPY. In the period prior to industrialization wealthy merchants constructed temples for common masses. But after the advent of industrialization the approach to CSR changed completely. Big giants of the present era like Tata, Godrej, Bajaj , Birla etc were accustomed to social and economic considerations. Second phase was influenced by Gandhian ideology that industries are "temples of modern India" Several trusts were established for schools and colleges and many training and scientific institutions were also established in that phase. Their main focus was on removal of untouchability, empowerment of women and upliftment and progress of rural areas. In the third phase Private sector were made backbenchers and priority was given to Public sector .It was a period of command and control. Fourth phase followed sustainability pattern. It was marked as an era of Globalization and liberalization..Indian industries were having an additional burden to cope with the international standards to fulfill CSR.

ADVANTAGES OF CSR TO DIFFERENT SECTIONS

I Company benefits:

*better financial performance.

* less operational cost.

*Improved goodwill and branding

*increase in sales

*Customer retention.

*more productivity and enhanced quality.

*developed ability to retain efficient employees.

*Access to resources both financial as well as non financial

*reduction in liability and more safe products.

II. Benefits to the community and to the general public

*Community education

*hospitals and free medical facilities

*old age shelters homes

*Orhanages

*employees safet and training programmes.

*qualitative and safe product.

III. Environmental benefits

*recycling of industrial waste

*more durable products;

*less wastage of resources

*less pollution

*less health problems

RECENT TRENDS

Today CSR is regarded as an important issue by the CEO's of companies. It is also being considered important by the government local as well as national , both local and national NGO , consumer groups, investors group and by other actors in society(Das Gupta and Das Gupta 2005). CSR is very popular in India. Many big business houses like Tata ,Birla etc are doing social service since their inception .Now there is a transformation from serving the society to bringing sustainability. That's why company has formed CSR an part of corporate strategy(Das Gupta 2010). CSR Teams in companies form policies , strategies and goals for their CSR programs and also decide budgetry allocation for the same. These all activities are performed according to social philosophy and are merged with corporate objectives. Employees are the best supporter in such programs and they devote their time and lend their full cooperation to make these programs a great success. Such actions not only uplift the society but also leads to all round development of the nation. It is wrong to say that CSR is related to community development only. It is a group of activities that are involved in managing a business. It involves stakeholders participation , managing relations in supply chain, consumer and customer relations, corporate governance, human resource management, environment etc (Pramar 2010). All activities related to CSR will lead to a wonderful change. Change is always needed .Corporate houses can use their financial, human , strategic and critical thinking to bring such a desirable change. Many corporate houses like Bharat Petroleum Corporation limited, Maruti Suzuki India ltd., and Hindustan Unilever Ltd have adopted many rural areas for the purpose of their regional development –also a CSR. In these villages they have provided facilities of school, hospitals , sanitation facilities and help in developing

vocational skills among the people there so that they can earn their livelihood themselves. In pharmaceutical corporate world .GlaxoSmithKline pharmaceutical has emphasized on health and healthy living. They provide free medical health checkups and medical treatment camps in tribal areas. There are many NGOs which are well aware with problems of the local areas and have experience of handling such problems. Many Companies work in collaboration of such NGOs to do good to the society and to the nation. For example SAP India and Hope foundation (NGO working for poor and helpless people) worked together to provide rehabilitation for tsunami victims .What we think as voluntary effort is only a mirage. Not even a single company is interested to spend their hard-earned money themselves for the benefit of others. Some mandatory laws are required to make CSR a regular practice by the corporate world. Denmark made a law on CSR on 16th December 2008.Now it is compulsory for them to include CSR in their financial report.

BEST PRACTICES FOLLOWED BY INDIAN COMPANIES

ONGC AND INDIAN OIL CORPORATION

In 2007-08 Rs. 246.70 crores was spent by oil PSUs on CSR activities.

ONGC CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.

SAIL

It worked for environment protection , health and medical facilities, women upliftment and provision of drinking water.

BHEL AND INDIAN AIRLINES

Airlines provide help in disaster management. 56 villages with 80,000 inhabitants has been adopted by BHEL

THE COCA COLA COMPANY

- Support my school   is a joint effort of Coca Cola Company and NDTV Women empowerment program is also undertaken by Coca Cola company.

- Under this program, The Coca-Cola Company Is working for the empowerment of 5 million women by 2020. By empowering women it is helping to develop sustainable communities.

- It is also working in partnership with DEKA R&D to provide clean drinking water to the community.

- It worked with Rotary Internationals against polio.

- Standard of living of African women and girls was also improved with its effort.

- Against AIDS it worked with RED.

RELIANCE INDUSTRIES

Project Drishti for poor and weaker sections' visually handicapped people is one of the CSR activity of Reliance Industries.

It has illuminated lives of 5000 people or even more. Reliance Power is working hard to bring social and economic development in the areas near their sites.

Reliance emphasizes great importance to the children and view them as future of the nation. That's why HEE i.e. Health, Education and Environment are the main elements of their programs.

HEALTH

It is providing free medical facility centres ,mobile medical vans for distributing free medicines to the needy people .It also organize various camps like eye check-up camps , health check-up camps etc from time to time.

EDUCATION

It has opened D.A.V. school for Project Affected families and for   the children of the villages around the sites, Free school bus facility for students, and also give stipend to every child who attends the school, free uniforms , teaching aids to teachers and night schools for adults who are uneducated..

EMPLOYMENT

It is helping in skill development and is providing Computer coaching center, English speaking classes, Physiotherapy training center -etc. Soft skills like tailoring ,poultry farming etc are also being taught to the village women in order to make them self reliant . Monetary help is also provided by Reliance on occasions like marriage etc.

BAJAJ ELECTRICALS LIMITED

Its CSR activities run from education , rural development to environment.

Trend Of Average CSR Expenditure With Respect To Wonership
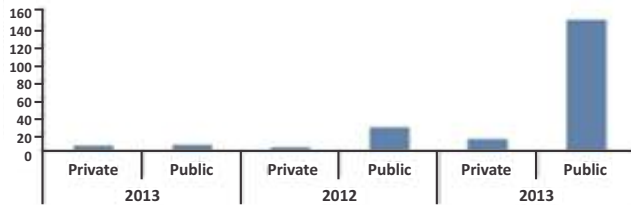
X axis : Year and Ownership, Y-axis, Average CSR expenditure (in Million rupees)
Source : calculated by the authors using Process data for the year 2012-13

Source: Prowess data 2013-14

This shows that CSR is gradually moving to an increasing trend in public sector rather than in private sector.

ISSUES IN CSR

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

* Lack of interest of general public: In a country like India, people hardly bothers about CSR activities undertaken by the companies. The problem is more serious because there is lack of interaction among the companies and the general public.

* Requirement to develop trained NGOs : There is a scarcity of well trained organizations to undertake the task of CSR.

* Less transparency: This another challenge that need to be dealt with a great caution.

This is a common problem among small scale companies as they hardly bothers to disclose their accounts, publish or represent true picture of their financial position etc. This has negative impact on all those organizations which are playing an important role in CSR initiatives.

*Visibility Factor : Media plays an important role in creating positive image of the companies among the masses as it always sensitizes the CSR initiatives taken by the companies and establish the goodwill among the people. This made the NGOs to involve themselves in event based programs , missing out some important actions that need to be taken by them .

* Narrow thinking : NGOs and government have narrow perception about the companies involved in CSR activities .They take their actions as donor –driven rather than a responsible corporate citizen effort. This mad them to think twice to conduct such activities in the medium and long term or not.

* Unclear guidelines regarding CSR : In the absence of clear cut guidelines about the CSR activities , the corporate find it very difficult to perform such responsible behavior. Assume that the bigger the size of the business the more responsible the company should be towards the society. But actual guidelines are not so.

Lack Of unity in Implementing CSR Issues : There is lack of concurrence amongst

implementing agencies regarding CSR projects. This often leads to duplication of activities by companies in areas of their intervention. This results in unnecessary competition among the companies rather than service of the society and the nation. 2045 Parveen Maan

* Frustrating work environment : In a non profit working environment, burden is more on the resources but are deficit. Moreover the employees have no clear idea about the achievement that is to be made.

* Linkages between Business and society: The survival of any business depends upon the goodwill , it has among its customers and prospects. CSR is considered as philanthropy at first but with better understanding with the stakeholders , it has become a part of corporate strategy. It seems as if companies are not serving the society but are realizing their selfish motives by fascinating their customers and their prospect customers.

*Resource Investment: It is very difficult for the small companies to convince the investors to spend their resources to a program which is not according to the bottom-line of the business . So they give an explanation that customer buying decision is influenced with company role in fulfilling its moral behavior towards the society. In a post written for the Center for Corporate Citizenship at the Boston College Carroll School of Management, McDonalds's vice-president for social responsibility, illustrates how corporate responsibility helped McDonald's use less water and energy and reduce waste.

*Company Integration : Corporate Responsibility program should be an integral part of the company. Stakeholders hardly support one time programs. Timing of program can also be a problem for the companies.

*Communication: Small business man should not be self assumptionary that people are well aware about their sincere efforts towards the society and nation at large.They should explain the CSR activities done by them and how they are undertaking such activities. Langert Vice president of McDonald's explain why companies include CSR efforts reports in their reports and also display CSR activities on their company websites.

*Investors influence: Nowadays , investors give preference

to the companies which are ethically strong. The Social investment forumreports 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 survey by Environics revealed that Americans give importance to ethics while purchasing any product.

*Health and Safety : There are many companies like alcohol, tobacco, textiles etc where working environment is hazardous to the health of those who consume such products or those who work there. If these companies are producing such harmful products than where their ethics have gone. Are they having any ethical concerns or not ?This is an issue to discuss.

* Technology: The business leaders have to take care that their companies use technology for legitimate purpose. Certain companies check mails and online use of employees for this purpose and in this it has to take care that their privacy would not be intruded by the company.

* Fair working conditions : It is necessary for any company to maintain free and fair play environment in the company .It should reward the deserving and punish the guilty. Partial behavior should not be followed by the company.

*Supplier Relations: As stakeholders are showing their interest in the routine work of the companies , so it is the duty of the company that their company illustrates CSR . Some are introducing codes of conduct for their suppliers so that they can behave ethically.

*Which Issue is to focus first : In the year 2011, a survey was conducted by Oxford Poverty and Human Development Initiative which estimated that 650 million people or nearly more than 50% population live in poverty in India. UNICEF data states that out of three children one is malnourished in India. There are many problems faced by these poor peoples like, health problems, poverty, poor sanitation and living conditions   etc. The main delimma is which area is to be focused by companies on prior basis.

*Capacity Building : Indian companies have scarcity of trained manpower and tech know how to develop or formulate proper corporate social responsibility strategies. There is requirement of training institutes to train companies 'official in CSR strategies and policy making procedures.

*Trust deficit : There is lack of trust between the companies and the NGOs regarding transparency and in framing the program of CSR. corporate houses always have suspicion on them. They are not able to understand that hoe will they convince the community? Corporates feel that NGOs are inefficient and incompetent .

*Deceptive actions by private companies: Many trusts establish by the private corporate are not at all formed to do CSR but to befool the innocent people. Many private companies transfer funds to these trusts or foundations and later on such funds are sent back to the principal company in way or another way.

*Project Development: The CSR projects run through series of projects having proper start, end , output and results. They can be a short term or long term projects. A company can do CSR through its own team or can outsource the help of some outside agencies. It is necessary to do annual review of such CSR projects. But for corporates It is still a challenge to learn project development .

*Developing KPI,s for CSR reviews: Companies calculate the CSR results in quantitative terms but they have to understand that fulfilling social responsibility is an attribute which requires qualitative study.

*Hunting of Human Resource: A report states that there is an increasing demand for CSR professionals. Talent hunt begins from the NGOs by the corporate houses. They attract them by offering them handsome salaries. This adversely affects the ongoing CSR projects. There is an urgent requisition to train fresh resource for this purpose.

CONCLUSION

CSR is not an easy task to undertake .It is a complete package of different actions that are directed for the benefit of the society and needs great expertise. It is combined effort of both the corporate house and the government as well as non - governmental organizations. In order to deal with issues discussed above certain recommendations can work wonders to establish CSR on firm grounds. Firstly it is the duty of the media to advertise good efforts taken by the corporates for the benefit of the society and the nation. This creates awareness among the general public about the CSR activities done by the companies and it also inspire them to know more and keep a close watch on them. This also motivates another business houses to indulge in CSR activities. It is necessary to create links among all the stakeholders to implement CSR initiatives successfully. More and more companies are to be brought under the regime of CSR. A campaign should be launched to involve SMEs more actively in CSR activities. This will help to spread CSr to other locations and among new communities. International Conference on Technology and Business Management March 28-30, 2011. Corporate houses and NGOs should pool Their resources to build synergies so that CSR plans and projects can Be implemented more effectively.

Companies should focus them not only on the development of the urban India but they should consider the needs of the poor and needy people in the rural India as well. They should look after the needs of education, sanitation, child labor, Health facilities in such places so as to bring all round development of the villages. After all more than 70% population of India reside in rural areas. Government should reward the corporate house who do great efforts in CSR areas. Proper incentives should be given to the private sector, easy grant of 12A, deduction of 80G and Foreign Contribution Regulation Act license, tax breaks for social projects. This will lead to voluntary participation of the private sectors in these initiatives. There should be proper accreditation mechanism for making CSR as an important part of business. There should be a national alliance for corporate social responsibility in order to avoid unnecessary competitive spirit among the business houses. This alliance should take a wider based development agenda and it should provide high value services to poor and needy people. With the passage of time it would become an important body to make valuable and qualitative interventions in CSR activities.

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