



Corporate Social Responsibilities – Issues and Challenges in India

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Abstract: The concept of CSR is in existence since ancient times. The writings of ancient Indian epics have narrated CSR in various forms. Various studies over a period of time have given models for CSR approach. In India, Companies Act 2013, brought an end to the long run discussion on CSR practices by the corporates. The journey of CSR as a corporate responsibility has two broad perspectives, pre-Companies Act 2013 and post Companies Act 2013. CSR policy is still in a nascent stage and hence faces number of challenges. The Union Budget 2015 clarified that any expenditure on the Swatch Bharat Abhiyan is to be claimed as deduction u/s 80 G and not under CSR. Thus, Indian law on CSR still awaits clarification on many areas wherein claiming deduction u/s 80, exemptions from tax and treating it as CSR all are in existence.

Key words: Corporate Social Responsibility, concept of CSR, Issues and Challenges.

1. INTRODUCTION

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent 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. They have started incorporating their CSR initiative in their annual reports. CSR is an entry point for understanding a number of firm-related and societal issues and responding to them in a firm's business strategy. However, there is a universal and prominent view on protecting the environment and stakeholders' interests. Emerging economies like India have also witnessed a number of firms actively engaged in CSR activities, and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes.

2. CSR (CORPORATE SOCIAL RESPONSIBILITY)

CSR is an approach to business that account of issues associated with society and the environment in addition to the more traditional business concerns of shareholders and profit.

3. DEFINITION OF CSR

Since the 1960s, corporate social responsibility has attracted attention from businesses and stakeholders in regard to its benefits and what it is. Corporate social responsibility has been defined differently by different writers based on what they perceive about the concept. Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. CSR is a concept with many definitions and practices.

4. CSR IN INDIA

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship. As some observers

have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports. The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

5. CSR ISSUES

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. Some of the drivers pushing business towards CSR include:

1. **The shrinking role of government:** In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.
2. **Demands for greater disclosure:** There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.
3. **Increased customer interest:** There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environs International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.
4. **Growing investor pressure:** Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. 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. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)
5. **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.
6. **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. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

6. CHALLENGES OF CSR

1. **Lack of Community Participation in CSR Activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.
2. **Need to Build Local Capacities:** There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organizations 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.
3. **Issues of Transparency:** Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.
4. **Non-availability of Well Organized Non-Governmental Organizations:** It is also reported that 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. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.
5. **Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent

influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

6. **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 donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.
7. **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. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.
8. **Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst local 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 local 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.

7. CONCLUSION

To conclude CSR as a business imperative must not be accepted unwillingly or half-heartedly. Instead, it must be practiced with full vigor and straight from the heart passion and this certainly helps the companies in the long run meaningful impact on society and its future is bright in coming years. After all, business is by the people, for the people and of the people. Over the last years an increasing number of companies worldwide started promoting their business through Corporate Social Responsibility strategies because the customers, the public and the investors expect them to act sustainable as well as responsible. Nonprofit executives wake up every morning and go to bed every night worrying about the location of their next fundraised dollar. The lines between corporate and community are shrinking, and the value of those from each sector is rapidly being understood and capitalized upon by the other. The study includes the evolution over time changes in Indian cultural norms of corporate social responsibility.

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