

## International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

# Emerging Trends and Challenges in Corporate Social Responsibility- India

S.Vijayalatha, Dr.G.Brindha

Research Scholar, School of Management Studies, Bharath University, Chennai, India

Professor, School of Management Studies, Bharath University, Chennai, India

**ABSTRACT:** In the current scenario corporate social responsibility(CSR) paying a vital role to be compete with their environment and in India corporate social responsibility role was aggrandized with the start of eminent Tata industries and had started so many charities in the name of corporate social responsibility. It is a continuous commitment that companies should have towards the economic, social and environmental development of the community in which they operate. Thus Companies now are setting up specific departments and teams that develop policies, strategies and goals which are for their CSR programs and assign separate budgets to support them. Several companies have now passionately taken up to the cause of CSR in countries with rising economies such as India.

Key words: corporate social responsibility, community development, govt guidelines, issues.

### I.INTRODUCTION

Corporate Social Responsibility or CSR is popularly known as a system of gauging an organization's bearing on society and weighing their responsibilities. CSR is not just about getting involved in some charitable practices or having biological responsibility and a recycling policy. It is about the whole representation of the company which is to be considered, from internal practices to their clients, taking in every step that a business takes during its usual operations. Corporate social responsibility is sustainable which involves companies to take up activities without having negative impact on their business. In India several companies have started realizing that it is a sensible move to take up CSR activities and amalgamate it with their business process. Corporations are becoming increasingly aware of their role towards the society. They are responsible bodies that feel a sense of duty towards the common welfare and the environment. This comes with a growing realization that they, as an integral part of this society themselves, can contribute to its upliftment and empower of the entire country in turn. These programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the maximization of profit.

### II.START OF CSR ACTIVITIES IN INDIA

The World Business Council on Sustainable Development [8] defines CSR as —the commitment of business to contribute to sustainable economic development, working with employees, their families and local community and society at large to improve their quality of life. Corporate social responsibility can be defined as ethical payback of corporate house towards the society'. Oldest of Indian corporate [3] are still leading CSR activities in Indian society with TATA itself contributing to an extent of 64%. Indian CSR activities were driven by the ethical beliefs of the founding fathers and their philanthropic ideas in pre-liberalization era [7]. These activities had very less accountability and transparency in them. The level of commitment towards the projects that were conducted was less and so were allocation of resource and planning for the same.

### III.OBJECTIVES

1. To examine the need and importance of CSR.
2. To examine the role of CSR in India.

# International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

3. To analyse the Trends of CSR in India.
4. To determine the CSR Activities Of Some Indian Companies.
5. To examine the Issues & Challenges of CSR in India.
- 6.

## TRENDS OF CSR IN INDIA

SOURCE: IJBMR

PHASES	PERIOD	YEAR	NATURE OF CSR
I.	Pre-industrialization	1800	CSR activities were undertaken in the form of philanthropy with religious belief
II.	Pre-industrialization	1800-1914	CSR activities were undertaken in the form of donations with social welfare objectives
III.	Industrialization	1950-1980	CSR activities were undertaken in the form of responsible behaviour with progressive approach
IV.	Post industrialization	1980-until today	CSR activities are being performed in various forms by keeping in view multi-stakeholders benefit.

In India, in the pre independence era, the businesses which pioneered industrialisation along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations either monetary or otherwise were irregular activities of charity or philanthropy that was taken out of personal savings which neither belonged to the shareholders nor did it constitute an integral part of business. The term CSR itself came in to common use in the early 1970s although it was hardly ever shortened. By late 1990s, the concept was fully recognized; people and institutions across all sections of society started supporting it.

## IV.ISSUES AND CHALLENGES OF CSR IN INDIA

### 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 instil 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.

## International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

### **Need to Build Local Capacities**

There is a need for capacity building of the local non-governmental 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.

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.

## **V.FINDINGS**

An insight into the history of CSR reveals that till 1990s it was exclusively dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often constrained themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the worth and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been a clear transition from giving as an obligation or charity to giving as a strategy or responsibility. Review of the case studies and work done on CSR by companies in India suggests that the CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

# International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

Nowadays corporate are treating CSR as a separate entity and dedicate attention to it. Most of the corporate have a vision and mission statements often at the corporate level or sometimes at the CSR level that compel their CSR initiative. Discussions are made to choose specific issues and initiatives. It has been observed that the areas they choose somewhere relate to their core values. Companies today are increasingly sensitive about their social role. The companies not only concentrate on how they will position their product or how they will sell it but also they have a social strategy because they have started feeling that brands are built not only around good quality of the product; but also around emotions and values that people ascribe to those products.

## VI. CSR ACTIVITIES AS PER SCHEDULE VII

The Companies Act, 2013 ('2013 Act'), enacted on 29 August 2013 on accord of Hon'ble President's assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhance the interests of minority investors and for the first time legislates the role of whistle-blowers. The new law will replace the nearly 60-year-old Companies Act, 1956 ('1956 Act').

The 2013 Act has introduced several provisions which would change the way Indian corporate do business and one such provision is spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been voluntary contribution, by corporate has now been included in law. Basis the CSR provisions, as laid down under the 2013 Act and the draft CSR rules made available for public comments, in this bulletin we bring out the key provisions, analysis and challenges relating to the compliance of these provisions for companies to consider.

### CSR activities to include:

- Eradicating extreme hunger and poverty.
- Promotion of education.
- Promoting gender equality and empowering women.
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
- Ensuring environmental sustainability
- Employment enhancing vocational skills
- Social business projects
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and such other matters as may be prescribed
- The 2013 Act provides that the company shall give preference to the local area and areas around it where it operates.

## VII. CSR APPROACHES IN INDIA

Based on our study we present the following chart that depicts the major approaches used by top Indian corporations to pursue their CSR activities.

64 corporations, in our sample of top 200 Indian corporations have their own dedicated foundations to carry out their CSR activities. Foundations are not for profit organizations created for serving the society through various activities such as education development etc. In India foundations are generally registered as charitable trusts for the purpose of social development through poverty eradication programs, healthcare development programs etc. Hindustan Unilever, an Indian FMCG major promotes Unilever foundation, set up 2 years ago which to work towards improving the lives of poor in local communities and simultaneously nurtures markets of the future. The Unilever Foundation is a key initiative taken by Hindustan Unilever to achieve its ambitious goal of helping more than one billion people to improve their health and well-being and, in turn, create a sustainable future. (Unilever Foundation,2012) Therefore, CSR works through foundations of firms not only to achieve the compliance objectives but also to build markets for the future, where no market exists today.

# International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

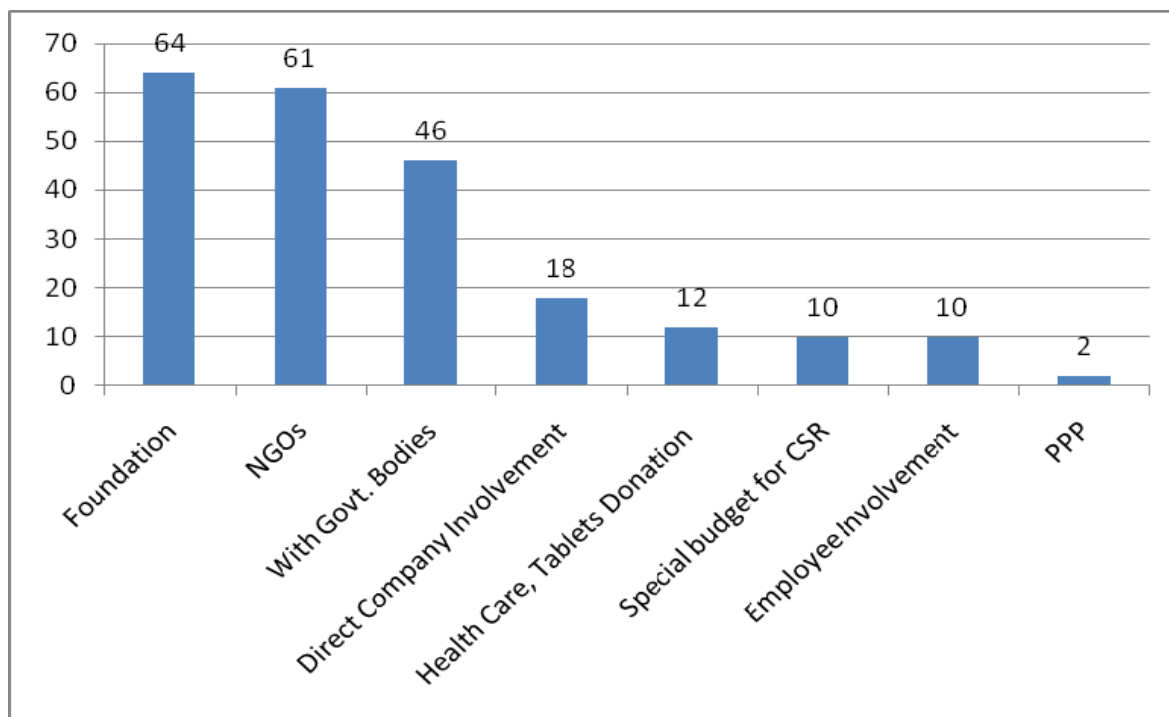


Chart 1: CSR Approaches adopted by Firms in India  
(Numbers in the chart denote, the number of companies out of 200 companies in our sample)

62 out of the 200 Indian companies in our sample of the companies in India work with NGOs, charitable trusts and other like-minded organizations for achieving their objectives of carrying out development in the society in which these organizations operate. For example Jet airways, India's leading airline with the widest domestic network and operations in 24 international destinations across 4 continents, works with several NGOs to carry out its CSR activities.

46 of companies in our sample of work in collaboration with different government agencies for carrying out their CSR activities. Essar's CSR is guided by E3 model, Entrepreneurship, Education and Environment. (Essar Foundation, Guiding Principles, 2012). This corresponds with the United Nations' Millennium Development Goals also endorsed by the Government of India.

18 companies in our sample, were involved directly in CSR activities. For example, Havells India Limited, a \$1.3 billion and one of the top 5 lighting companies of the world provides mid-day meals to around 350 government schools in Alwar district of Rajasthan, covering 30,000 students per day (Havells, CSR initiatives, 2012).

12 companies, in our sample pursue their CSR by provisioning health care facilities for the backward sections of the society. For example, GlaxoSmithKline Pharmaceuticals Ltd. one of the oldest pharmaceuticals company in India having a turnover of Rs 26,990 million, and employing over 3500 people has as a mission statement "to improve the quality of life by enabling people to do more, feel better and live longer".

10 companies in our sample maintains special funding for CSR activities and also keeps provisions of reserve funding for CSR for the next financial year so that the CSR plans and activities of the company can be planned and carried out strategically throughout the year. For example, Oil and Natural Gas Limited (ONGC), emphasizes transformation of the organization from "Philanthropy" to "stakeholder participation".

# International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

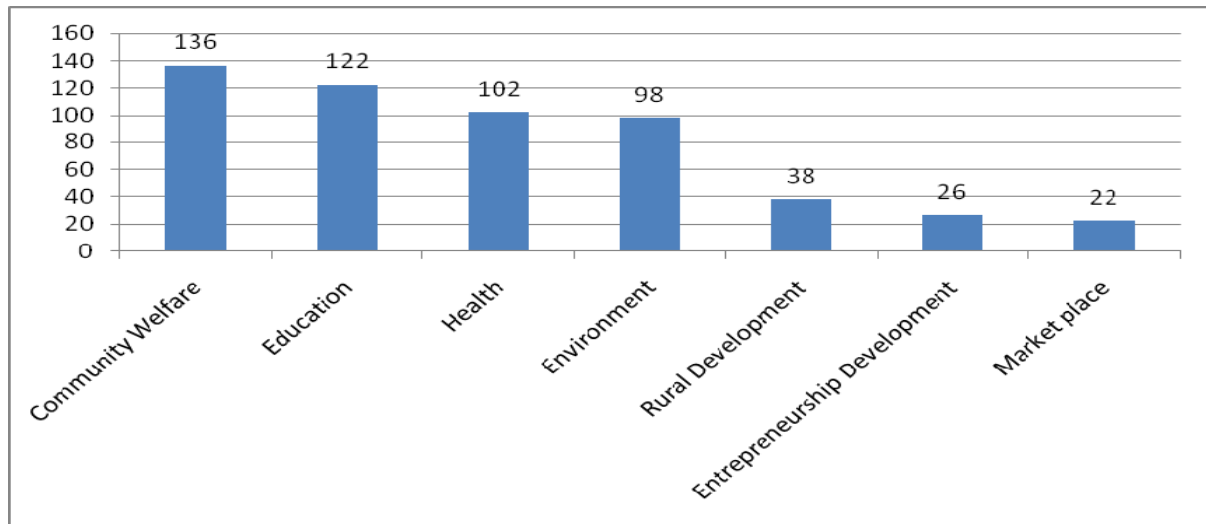


Chart 2: CSR activities (number of companies) practiced by Indian Corporations

## VIII.IMPLICATIONS

Study shows that most companies in India engage with local communities near their area of operations, and the beneficiaries of CSR activities are generally the local population. The companies should try to develop scalable models of CSR that can be extended across the nation using local NGO's in each geographical area, a very helpful resource yet at a low cost. Scalable models will be helpful in expanding the socio-economic impact of CSR activities of the corporate. Larger socio-economic value creation can then be equated as a proxy for legitimacy that goes beyond local communities in the near vicinity of the business operations. But taking a more holistic view of CSR is irreplaceable since currently, in our sample of companies, we observe that most firms have adopted the same sectors for CSR (e.g., healthcare, or education), and then they spend CSR budgets on a project to project basis (doing some health camps, adopting a village, building a road, maintaining a facility, and so on). Such project to project variations in CSR initiatives is seemingly devoid of a strategy, and also shows a lack of synergy with business operations. An attempt to align the business strategy with CSR strategy will help firms to leverage their CSR expenditures. Therefore, we suggest a directional change in perspective Indian corporates take in planning and strategizing their CSR operations in India.

## IX.RECOMMENDATIONS

In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, the recommendations of the survey are firm indications of the existing state of affairs in the CSR domain; they correspondingly call for necessary and appropriate steps to be initiated to put CSR on firmer ground. Keeping in view the broad results of the survey, the following recommendations are listed for serious consideration by all concerned stakeholders for their effective operationalization to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

□ 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 awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. 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. Thus, the social justice agenda of the day would be fulfilled more meaningfully.

## International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.

□ It is noted that only medium and large corporate houses are involved in CSR activities, that too in selected geographical areas. This issue builds a case for more companies to be brought under the CSR domain. To address the issue of reaching out to wider geographical areas, the involvement of small and medium enterprises (SMEs) in the CSR domain will be essential. It is recommended that a campaign should be launched to both spread awareness on CSR issues amongst the general public as well as to involve SMEs to participate more actively in CSR initiatives. This will help CSR reach out to other locations and cover a large number of communities and help companies play a valuable role in addressing various social and development issues. This approach will help CSR get ingrained into the DNA of core business activities of companies.

□ It is found that many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facilities and services. While focusing on urban areas, it is recommended that companies should also actively consider their interventions in rural areas on education, health, girl child and child labour as this will directly benefit rural people. After all, more than 70 per cent people still reside in rural India.

□ It is noted that the Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged. Incentives to be offered to the private sector to strengthen their good work must include a formal partnership with local administration, easy grant of 12A, 80G and Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects. This will be instrumental in encouraging enhanced voluntary participation of greater number of corporate houses in CSR activities.

□ It is noted that CSR as a subject or discipline should be made compulsory at business schools and in colleges and universities to sensitize students about social and development issues and the role of CSR in helping corporate houses strike a judicious balance between their business and societal concerns. Such an approach will encourage and motivate young minds, prepare them face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor. It is recommended that involvement of professionals from the corporate sector, nongovernmental organizations and business schools would be key in ensuring youth participation in civic issues.

□ It is found that there are approximately 250 corporate houses in the country that are directly involved in various CSR initiatives. These companies continue to decide their own projects depending on a number of parameters. These efforts are driven purely by the company's operational perspectives and ease of implementation of their CSR projects. As there are a number of companies involved in CSR activities, it is recommended that an accreditation mechanism should be put in place for companies through an independent agency for mainstreaming and institutionalizing CSR in the main business framework of the companies.

□ It is found that the companies involved in CSR in which it implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment, to mention a few. In many such contexts, it's noticed that companies end up duplicating each others' efforts on similar projects in the same geographical locations. This creates problems and induces a competitive spirit amongst companies. Considering the diverse issues and different contexts that exist currently in the CSR domain, it is recommended that companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility.

# International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 4, Issue 9, September 2015

## X.CONCLUSION

The new economic era in India i.e. the post-liberalization phase of the Indian economy was a catalyst for the radical transformation in the corporate social responsibility related practices in the country, the change was twofold: transformation of the conceptual understanding of corporate social responsibility and innovations at the implementation level. At the conceptual level, there was a fundamental transformation from the charity-oriented approach to the stakeholder-oriented approach where the target group was seen as stakeholder in the community whose well-being was integral to the long term success of the company. However, the real revolution occurred at the implementation stages where companies have started committing manpower, expertise in addition to financial resources in order to provide a host of services, programs and schemes that are flexible enough to accommodate the needs of the target community. The CSR initiatives have also see greater people participation at all stages and tighter accountability standards. The issue of norms for corporate social responsibility seems to have been adequately dealt with by industry practices like benchmarking, CSR ratings and certification by different agencies.

While the situation in the private sector seems satisfactory, there is fierce debate on the social role of the Indian public sector in the post-liberalization phase especially in the light of the twin processes of privatization and the dismantling of monopoly/quota regimes. There is a need for extensive research especially in form of empirical studies to address the questions related to this issue.

## REFERENCES

1. Dr. Suri Sehgal, Chairman & Founder Institute of Rural Research & Development (IRRAD) Gurgaon.
2. Professor Leo Burke, Associate Dean and Director, Executive Education, Notre Dame University, USA.
3. [knowledgecommission.gov.in/downloads/report2009/eng/report09](http://knowledgecommission.gov.in/downloads/report2009/eng/report09).
4. Indian Brand Equity Foundation, [www.ibef.org](http://www.ibef.org).
5. ACCSR's State of CSR in Australia Annual Review 2010/11.
6. [http://www.chillibreeze.com/articles\\_various/CSR-in-India.asp](http://www.chillibreeze.com/articles_various/CSR-in-India.asp).
7. Trust and Corporate Social responsibility: Lessons from India by Ashwani Singla, Chief Executive Officer, & Prema Sagar, Founder & Principal, Genesis Public Relations Pvt. Ltd.
8. Business Line, Business Daily from THE HINDU group of publications, Wednesday, Jun 23, 2010.
9. Kamatchi P., Selvaraj S., Kandaswamy M., "Synthesis, magnetic and electrochemical studies of binuclear copper(II) complexes derived from unsymmetrical polydentate ligands", Polyhedron, ISSN : 0277-5387, 24(8) (2005) PP.900-908.
10. EurAsia Bulletin Volume 10 No. 11&12 Nov-December 2006.
11. Babu T.A., Joseph N.M., Sharmila V., "Academic dishonesty among undergraduates from private medical schools in India. Are we on the right track?", Medical Teacher, ISSN : 0142-159X, 33(9) (2011) PP.759-761.
12. Corporate Social Responsibility Practices in India, Times Foundation, the corporate social responsibility wing of the Bennett, Coleman & CO. Ltd.
13. Suresh V., Jaikumar S., Arunachalam G., "Anti diabetic activity of ethanol extract of stem bark of *Nyctanthes arbor-tristis* linn", Research Journal of Pharmaceutical, Biological and Chemical Sciences, ISSN : 0975-8585, 1(4) (2010) PP.311-317.
14. P. Cappelli, H. Singh, J. Singh, & M. Useem, The India Way, Academy of Management Perspectives, 24, 2, May 2010, page 6-24.
15. Singamsetty P., Panchumarthy S., "Automatic fuzzy parameter selection in dynamic fuzzy voter for safety critical systems", International Journal of Fuzzy System Applications, ISSN : 1562-2479 , 2(2) (2012) PP. 68-90..
16. CSR in India: Some Theory and Practice in Wall Street Journal dated Thursday, April 23, 2009.
17. Kiran B., Kareem S.A., Illamani V., Chitralakha S., "Case of Phthiriasis palpebrarum with blepheroconjunctivitis", Indian Journal of Medical Microbiology, ISSN : 0255-0857, 30(3) (2012) PP. 354-356..
18. "Desirable Corporate Governance: A Code", established in April 1998.
19. [www.k4d.org/Health/sustainable-development-challenges-and-csr-activities-in-india](http://www.k4d.org/Health/sustainable-development-challenges-and-csr-activities-in-india).
20. Dr.G.Brindha, A Study on Quality of Work Life of the Employees at Baxter (INDIA) Private Ltd., Alathur, International Journal of Innovative Research in Science, Engineering and Technology, ISSN: 2319-8753,612-615, Vol. 2, Issue 3, March 2013
21. Dr.G.Brindha, An Analytical Study of the Proposed Voluntary Retirement Scheme in Bharat Sanchar Nigam Limited, International Journal of Innovative Research in Science, Engineering and Technology, ISSN: 2319-8753,pp 2707-2712, Vol. 2, Issue 7, July 2013
22. Dr.G.Brindha, BEYOND THE JUNGLE Strategic Information Systems Theory in 'Low -Competitive' Contexts, International Journal of Innovative Research in Science, Engineering and Technology, ISSN: 2319-8753,pp 1446-1450, Vol. 2, Issue 6, June 2013
23. Dr.G.Brindha, Mergers and Acquisitions, International Journal of Innovative Research in Science, Engineering and Technology, ISSN: 2319-8753,pp1446-1450, Vol. 2, Issue 11, November 2013
24. Dr.G.Brindha, Building Competitive Advantage through Links with Science, International Journal of Innovative Research in Science, Engineering and Technology, ISSN: 2319-8753,pp 1154-1164, Vol. 2, Issue 4, April 2013
25. Dr.G.Brindha, Article on Portfolio Management, International Journal of Innovative Research in Science, Engineering and Technology, ISSN: 2319-8753,pp 2182-218, Vol. 2, Issue 6, June 2013