CORPORATE SOCIAL RESPONSIBILITY IN INDIA: PRESENT STATUS AND CHALLENGES

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ABSTRACT

In India companies are swiftly adopting the concept of corporate social responsibility into their business vision. With every function of business whether it is marketing, finance, human resource management etc, social responsibility is being integrated. The solutions of companies are also driven by the concept of social responsibility. The trend is picking up the pace with the information spread and social awareness among the masses. The social responsibility is no more a secondary part of an entity but a business idea. Companies in India are also adopting the concept of social responsibility with great enthusiasm, as it offers lots of opportunities to them. The business houses have realised that the development and growth is possible in entirety not in individuality. Equality and participation for upliftment of the society to the heights of modern, sustainable world is the need of the hours. Governments throughout the world are also realizing this that is why they are asking and demanding for participation of other section of the society in the concept of welfare state. One such effort in this direction is the companies' act 2013 which makes it mandatory for the corporate world to give their share in society and nation building. An attempt has been made in this paper to deeply understand the CSR in India. It suggests that only through integration of CSR with overall operations of a business the effectiveness and impact of CSR can be improved.

Introduction

Social responsibility of business is what a business does over and above its statutory requirements, for the benefit of society. Now, the development process has reached a stage where the question of social responsibility is inevitable and cannot be taken up lightly. Now companies cannot operate in isolation. They must contribute their efforts to the social development process. The approach of best for shareholders should be moulded to best for stakeholders. The companies must perform and understand their obligations as corporate citizens. Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future. Anupam Sharma & Ravi kiran (2013) in their research study titled "Corporate social responsibility: driving forces and challenges" reviewed the literature from 1975 to 2011. In their study the changes and phases through which CSR practises has gone under change were discussed. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

Camelia I lungu, chitrata carriani and cornelia dascalu (2011) in their study titled "Research on corporate social responsibility reporting" conducted a content analysis of sustainability report of 50 companies classified in global fortune 2009.

They found negative relationship between change in revenue, return in equity and social, environmental disclosure for the sampled companies. The business activity and welfare activities must go hand in hand. Many a times the term social responsibility is related to long term/run value creator for a business. If a business is having sole motive of profit, it can be in a better position today but it is not going to be sustainable in future. Some considers the corporate citizenship as a investment in future for sustainability of a business. The foremost aim of business should be to create a greater value for its stakeholders. The MNCs from the developed economies can transfer efficient and superlative technology practises to the developing countries and educating local people in new skills for the community betterment.

The corporate social responsibility now a days has been used a marketing tool, companies are also incorporating the CSR into their marketing strategies and creating a competitive trend in this field also. Mathew J. Kotehen & Jon Jungbien Moon (2011) in their titled "corporate social responsibility for irresponsibility" did an empirical investigation covering nearly 3000 publicly traded companies. They found that companies do corporate social responsibility to offset corporate social irresponsibility and often CSI concerns of corporate governance are offset by CSR activities. Initially Indian business sector presented a mix picture as far as social responsibility was concerned. The earlier profounder of the concept of CSR in Indian are Gandhiji and JRD Tata. The gandhiji made this concept famous through a term called trusteeship and JRD Tata by conducting first social audit in India. The number of corporates are coming forward and understanding their responsibility towards the society by offering resources to the stakeholders. Some leading industrialists have contributed a lot into medical facilities, skill development centres etc.

The contribution of both private and public sector is remarkable and is at par with each other. It is highly argued that the public sector is contributing more than that of private sector. The losses in public sector are due to their high contribution toward the social causes but in reality their huge losses are result of inefficiencies in their operations and systems. Richa Gautam & Anju singh (2010) in their study examined the top 500 companies CSR activities and practises. For this they used the context analysis technique to explore their activities. They found that only 221 companies are reporting their CSR activities and each company is having its unique CSR agenda. In Indian scenario the Government through its companies amendment act has made the corporate social responsibility norm mandatory for business houses. The criteria and rules have been set by Govt as it thinks it we better for inclusive growth, the inclusive contribution.

Objective

The objective of this paper is to examine the nature and extent of corporate social responsibility (CSR) initiatives under taken by Indian companies. The broad objectives of the paper are as follows:

To study the legal framework governing CSR in India.

1. To study the factors influencing corporate world towards effective implementation of CSR in their organization.
2. To analyze the Challenges faced by organizations for implementation of CSR in India.

The above objectives have been achieved with the help of study of various reports and publications, then afterwards analysis of findings has been done and conclusions have been drawn on that basis.

Conceptual Framework

Traditionally in India donating money for some social activity was considered to be a social responsibility. The concept was restricted and was only considered as a philanthropic activity. The CSR activities were performed with deliberations and the concept was limited to few areas. Moreover the idea was restricted to the concept of freedom fighting movements and trusteeship. But with passage of time the idea of CSR in India has passed from philanthropic space and has moved towards to community development through various projects (educational, research and cultural). Global influences on both communities and businesses have drifted the CSR activities to community development and made them more strategic in nature. Large numbers of companies are actively reporting their social activities to various stakeholders through their annual reports, newsletter, CSR reports, sustainability reports etc as communities are becoming more active and demanding. 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. The companies act has also emphasized the community development as focal point. The companies are including their CSR initiatives and CSR activities in to their core operations. The companies in India are really pushing them self hard in taking the idea beyond communities and philanthropic activities. In future, what kind of results and change all these efforts will bring will be an interesting thing to observe. All these things will be of use and importance if CSR plans will be translated into action at ground levels.

Legal framework regarding CSR in INDIA

In India, the concept of CSR is governed under Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities (Net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India). Moreover any surplus arising out of CSR activities will again be contributed back towards CSR activities over and above the figure of 2%.

Under the act the provision and clause of CSR is applicable to companies:
- With an annual turnover of 1,000 crore INR and more, or
- A net worth of 500 crore INR and more, or

- A net profit of five crore INR and more.

Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act. The company can implement its CSR activities through the following methods:

- Directly on its own

- Through its own non-profit foundation set- up so as to facilitate this initiative.

- Through independently registered non-profit organisations that have a record of at least three years in similar such related activities.

- Collaborating or pooling their resources with other companies,

- Only CSR activities undertaken in India will be taken into consideration.

- Activities meant exclusively for employees and their families will not qualify.

A format for the board report on CSR has been provided which includes amongst others, activity-wise , reasons for spends under 2% of the average net profits of the previous three years and a responsibility statement that the CSR policy, implementation and monitoring process is in compliance with the CSR objectives. This has to be signed by either the CEO, or the MD or a director of the company. The act also requires companies to set-up a CSR committee consisting of their board members, including at least one independent director. The following activities have been considered as CSR activities under the companies' act 2013.

- Promotion of education

- Gender equity and women empowerment

- Eradication of extreme hunger and poverty

- Reducing child mortality and improving maternal health.

- Combating HIV-AIDS, malaria and other diseases

- Environmental sustainability

- Employment enhancing vocational skills

- Contribution to Prime Minister's relief fund and other such state and central funds

- Social business projects and such other matters as may be prescribed List of activities under Schedule VII.

Under the provisions of the act the companies must form a CSR committee. This committee will be making detailed plans and strategies for the CSR activities. Not only policy making but will also be monitoring the implementation of CSR activities. The board of directors will approve CSR policy on recommendation of CSR committee and the CSR policy will be disclosed with its contents in the annual report and official website on company. The other reporting requirement of CSR is

mandated by the SEBI. The top 100 listed companies are required to report their ESG (environment social and corporate governance) initiatives. These are to be reported in the annual report in a template provided by SEBI for filing the BRR (Business responsibility reporting). (Handbook on corporate social responsibility in India by PWC, 2013)

Some of the drivers pushing business towards CSR include:
1. The shrinking role of government

The advent of capitalistic Indian economy from socialistic pattern has undermined the role of governments in the social sector of the economy. The government relied on legislations, rules and regulations for the improvements in the economy but their implementation was not missing at ground level. Moreover shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives.

2. Demands for greater disclosure and transparency

There is a growing demand for disclosure and transparency of activities of corporate from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

3. Increased customer interest

With high literacy levels, the knowledge has been proliferated in every nook and corner of the globe. Customers are becoming aware and rational in the areas of their interest. There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers and companies are trying to tap this factor as well

4. Growing investor pressure

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. Investors are seeking to invest in those companies who are trying to solve the social problems through their innovative business models.

5. Competitive labour markets.

Quality of work life and working conditions are the two most sought after things by the employees. Employees are now looking forward, beyond their pay checks and other benefits. So employers are changing their thinking by treating employees as resources rather than a mere commodity.

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

1. Company benefits:
- Improved financial performance;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;

2. Benefits to the community and the general public:
- Charitable contributions;
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

3. Environmental benefits:
- Greater material recyclability;
- Greater use of renewable resources;

Challenges faced by corporates in CSR:

1. Community participation

One of the major stakeholders in development is community so they must be involved in the process of community welfare. Unfortunately, the presence of communities in their own welfare activities in negligible, as they are depending upon these activities, but not involving themselves in these activities.

2. Greater importance associated to event-based activities.

The CSR activities have been in all event based activities, means the focus is on organizing an event rather than doing some ground level work. Companies try to convert their CSR activities and initiatives a event marketing stunt instead of making it a reality based activity.

3. Unavailability of clear guidelines on CSR.

Before companies act 2013 the guidelines for CSR activities to be undertaken and areas for doing CSR activities were not there. CSR reporting and accountability was missing guidelines were not there. Still the concept of CSR is on the threshold stage especially in corporate world context.

4.   Lack of consensus regarding areas of focus and CSR impact assessment

The mechanism for measuring CSR impact assessment and any regulatory body for it measurement is not there. Moreover the consensus is not there among Indian corporate sector regarding priority areas for CSR activities.

Conclusion

Indian companies are now discharging their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximisation goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, Coca Cola India, Pepsico and ITC Welcome group, among others.

A robust, inclusive, sustainable and thriving development is essential and need of hour for India. India's is witnessing rapid growth trend and is growing at a substantially high rate over the last 2 decades. To make this growth more community oriented and centric the Companies Act, 2013 has been passed and CSR has been mandated and formally introduced in India. The industry has responded positively to the reform measure undertaken by the government with a wide interest across the public and private sector, Indian and multinational companies. The practise of CSR is not new but it has been strategically given the direction and pace under the aegis of regulations. With the passage of this bill we will definitely see an increase in the total expenditure on CSR by the companies. Social activities are essential for building a society which provides equal access to opportunities, negates disparities. CSR regulations are ensuring that the activities which needed to be done but these should be done more strategically, systematically and thoughtfully. The community welfare is a collective responsibility and a challenge, the companies' act 2013 is a response to that challenge as it is giving a unique direction to the efforts of all the members of the community.

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavour to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do well and get self satisfaction in return as well as societal obligation of business. Some suggestions that the organizations put forth through the survey include:

1. Creation of awareness by disseminating information to the masses.
2. Introduction of CSR in the SME (small and medium enterprises sector) to reach remote areas
3. Collaboration of public and private agencies.

4. Mechanism for measuring impact assessment of CSR activities.

5. Highlighting CSR activities by the media.

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