Issues in the Implementation of CSR

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Abstract: Corporate Social Responsibility plays a vital role in developing countries like India. The CSR has emerged in last two decades when Indian organizations realized that it is important to sustain in cut throat competition. It has been noticed a paradigm shift from corporate philanthropist to being socially responsible. Now the success of the organizations is based on maintaining good relations with all people of society such as individuals, groups and institutions. It is easy to win the confidence of the customers through CSR which further helps in growing the business. Besides, there are many organizations who conduct campaigns so as to create awareness among corporate, civic bodies and government bodies about the valuable importance of corporate social responsibility. The major problem is that nobody has clear about what exactly it encompasses. The Government of India has made it mandatory for organizations to spend at least 2% of its net profits on CSR. Companies are required to maintain the transparent balance sheet. Companies are incorporating their corporate social responsibility initiative in their annual report. This paper discusses the role and importance of corporate social responsibility. This study also attempts to know the major issues/challenges faced by Indian firms in its implementation and suggests remedial measures for effective implementation of CSR initiatives.

Keywords: Corporate Social Responsibility, issues, challenges, remedial measures

I. INTRODUCTION

The importance of CSR emerged during the last decade but now it is becoming an increasingly important activity to businesses nationally and internationally. Corporate Social responsibility means the way of doing business in such a way that has significant impact on the development of the society. Now the companies have become more transparent in accounting and other activities due to pressure from the various interest groups of the society. To achieve the more success, it is mandatory for companies to behave in an ethical and socially responsible manner towards the various interest groups of the society. This indicates that companies should maintain a balance with various interests such as consumers, communities, business partners and employees. New legal rules and regulations were imposed to ensure equal employment opportunities, product safety, worker safety and environment protection.

Corporate Social responsibility is a process in which all the companies together take actively part in the welfare of the society. Today, the concept of CSR has undergone radical change. Companies have been willing to inform about their CSR initiatives to their stakeholders as well in their annual reports and now the companies disclose their every activity regarding CSR. Business enterprises have undertaken CSR initiatives in the areas of environment protection, poverty alleviation, education, green environment, product responsibility, waste management. Ethical responsibilities are voluntary on the part of the company and a company is not under any obligation to do so. Therefore, the company should act in an ethical way towards various stakeholders. Ethical responsibilities also include paying fair wages and fair treatment to workers.

The topic of corporate social responsibility has beencaption under many names including strategic philanthropy, corporate conscience, corporate citizenship, social performance, sustainable responsible business. According to Dr Ratnam, the concept of CSR had different meanings depending on the stakeholders and depending on the specific situation. The term “Corporate Social Responsibility” came into common use in the late 1960s and early 1970s as a result of an influential book by R. Edward Freeman. Corporate social responsibility is the procedure of assessing an organization’s impact on society and evaluating their responsibilities.

Bowen has suggested that the “social responsibility of businessman refers to the obligations of businessman to pursue those policies, to make those decisions or to follow those lines of action which are desirable in term of objectives and values of our society.

European Commission’s described CSR as: “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

World Business Council for sustainable Development defined 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.

Carroll’s four Types of Responsibilities

Archie Carroll has differentiated Corporate Social Responsibilities into four types. These are as under:

Economic Responsibilities

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A company first and foremost responsibility is its economic responsibility. It is the foundation upon which all others responsibilities are depend. It means that a company must try to run its business in a profitable way. Only a profit earning company may do or think of doing something for the society.

**Legal Responsibilities**

A company’s legal responsibilities are to obey the rules and regulations framed by the law of the land. Companies must perform their operation in accordance with regulatory requirements. A company not obeying the various legislations is bound to be punished one day or the other.

**Ethical Responsibilities**

Ethical Responsibilities are voluntary on the part of the company and a company is not under any obligation to do so. Ethical responsibilities are company’s responsibilities which are considered as right or fair in the eyes of the society. Therefore the company should act in an ethical way towards various stakeholders. Ethical responsibilities include paying fair wages and fair treatment to workers.

**Philanthropic Responsibilities**

It is the corporate willingness to enhance the quality of living of their stakeholders through charitable donations and organizational support. These responsibilities aims at making an effort to benefit the society- for example, by donating services to community organizations, engaging in projects to aid the environment.

**The key drivers for CSR**

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction is more important for them. Some of the drivers pushing business towards CSR include:

**Laws and Regulations**

In a number of jurisdictions, governments have expedited approval process for firms that have undertaken social and environmental activities beyond those required by regulation. The main role of the government is to ensure that corporations are prevented from harming the people and the environment. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached. Therefore, to have very good relations with the regulator, business should discharge their duties voluntarily. However, with the passing of new Companies Act, 2013, it has become compulsory also.

**Competitive Labor Markets**

Employees are increasingly looking beyond pay-checks and benefits. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

**Ethical Consumerism**

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. There is evidence that the ethical conduct of companies exert a growing influence on the purchasing decisions of the consumers.

**Social Awareness and Education**

Corporate stakeholders are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role in this regard.

**Increased Customer Base**

It has been seen that the companies which are socially responsible enjoy increased customer base. Microsoft and Kelloggg’s are very concerned about their CSR activities. These companies have used positive image building to their maximum advantage by luring customers with their philanthropic good deeds.

**Capturing and Sustaining Markets**

Proper concern towards corporate social responsibility is very much helpful in capturing and sustaining markets. It is very much clear that such a company has good reputation in the global market. Green and sustainability initiatives could reduce waste and its associated costs.

**Direct Economic Value/ Brand Reputation**

Although the prime goal of a company is to generate profits, companies at the same time can contribute to social and environmental objectives by integrating CSR as a strategic investment in to their business strategy as they become increasingly aware that Corporate Social Responsibility can be of direct economic value. They can increase their reputation with the public and government by adopting CSR.

**II. LITERATURE REVIEW**

Chander (1992): concluded a study of corporate social disclosures of the public and private sector companies in India for the period 1981-82 to 1984-85. It was found that quality of disclosure both item wise and company wise was significantly better in case of public sector companies as compared to private sector. A large number of items had very low disclosure score in both public and private sector during the period under study.

Hedge and Bloom (1997): observed that most of the Indian private companies did not make any formal social disclosures because of lack of mandatory requirements for the same. The case study of Steel Authority of India (SAIL) was undertaken and it was reported that SAIL made extensive HR disclosure. Value added statements were also included in annual reports.

Gupta (2007): Concluded an explorative research paper on the trends of social responsibility sector in India. The researcher found that the trends in socially responsible initiatives are encouraging as well as crucial in India.

Chaudhary and Wang (2007): found that the number of companies with disclosures on internet is low in India in top 100 Information Technology Companies. Though the study did not attest the lack of CSR initiatives but it certainly attested the lack of proactive CSR communication, simply put the companies carried out CSR activities but did not disclose them properly.

Murthy (2008): examined the corporate social disclosure practices of the top 16 software firms in India. The 2003-04 annual reports were analyzed using content analysis and it was found that the human resources was the most frequently reported followed by the environmental activities was the last reported.

Jatana and Crowther (2008): edited the book named “Corporate Social Responsibility – theory and practice with case studies” has shed light on myths of corporate social responsibility, value addition, Globalization perspectives on Corporate Governance. In addition, it dealt with various case studies related to various industrial sectors like insurance, private banking, SMEs, Information Technology, power generation sectors.

Rajeev Prabhakar and Sonia Mishra (2013): examined the current status of CSR in India. In this study, the researchers examined the model and policy framework of CSR.

Parveen Maan (2014): analyzed the CSR status in India and it further provide an insight to what extent companies can follow the Corporate Social Responsibility. The Author also focused on challenges faced by Indian Organizations with respect to CSR.

Objectives of the Study
• To understand the meaning and various types of CSR in India
• To study the Scenario of CSR in India.
• To study the issues for the implementation of CSR in India.
• To make suggestions for accelerating or implementing CSR initiatives.
• To disseminate the information about the latest happenings in the CSR field to people engaged in policy making, policy analysis and other stakeholders.

III. RESEARCH METHODOLOGY

This research paper is based on secondary data which is collected form journals, magazines and published articles. Keeping in view the objectives of the study, the research design employed for the study is descriptive research design. Secondary data have been used for the purpose of the study.

IV. INDUSTRY –WISE SEGREGATION OF MAJOR CSR ACTIVITIES UNDERTAKEN BY FIRMS IN 2014-15

Until 2014, many firms had disclosed the activities undertaken by them, but not the exact amount they spent on each activity, we find that most of the firms undertake CSR expenditure for the welfare of rural communities, especially around their areas of operations. In the light of recent legislation, it would be interesting to see how companies would change their CSR strategies. After community Development, education (Including skill development) attracts the large share of CSR expenditure. Health is also a major area where firms like to invest. The following table gives an industry-wise break up of the major CSR activities undertaken by each industry.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Health</th>
<th>Education</th>
<th>Community Development/Rural Development</th>
<th>Environment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>23.50%</td>
<td>35.29%</td>
<td>29.41%</td>
<td>11.76%</td>
<td>100%</td>
</tr>
<tr>
<td>Automobile</td>
<td>40.00%</td>
<td>10.00%</td>
<td>40%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>24.76%</td>
<td>21.34%</td>
<td>15.25%</td>
<td>28.75%</td>
<td>100%</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>35.29%</td>
<td>23.53%</td>
<td>35.29%</td>
<td>5.88%</td>
<td>100%</td>
</tr>
<tr>
<td>Banking &amp; Financial Services</td>
<td>8.57%</td>
<td>20.00%</td>
<td>48.57%</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>Power</td>
<td>10.00%</td>
<td>10.00%</td>
<td>45%</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8.35%</td>
<td>30.55%</td>
<td>44.44%</td>
<td>16.66%</td>
<td>100%</td>
</tr>
<tr>
<td>Cement</td>
<td>22.20%</td>
<td>25.00%</td>
<td>29%</td>
<td>23.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Paper &amp; Pulp</td>
<td>19.90%</td>
<td>24.10%</td>
<td>18%</td>
<td>38%</td>
<td>100%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>30.00%</td>
<td>28.00%</td>
<td>22.00%</td>
<td>20.00%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Annual reports for the year 2014-15.
Oil and Gas Sector
In the oil and gas sector, Public sector undertakings have been found to spend the most on development of townships and community, with a special focus on education. They organize health camps, which provide medical check-ups to people. For example, the Indian Oil Corporation runs mobile medical units in Mathura and it has also spent on the school education that live near their plants and in their townships.

Iron and Steel Sector
In the Iron & Steel Sector, the SAIL has invested in health and education infrastructure for its employees. Many firms spend on the skill development programs, which help in building human capital leading to better employment prospects for people.

Tata Group
The Tata group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it is engaged in women empowerment activities, income generation, rural community development and other social welfare programs. In the field of education, the Tata Group also provides scholarships and endowments for numerous institutions. The Tata group also engages in healthcare projects such as facilitation of child education, immunization and creation of awareness of AIDS. Other areas include economic empowerment through agriculture programs, environment protection, and infrastructure development such as hospitals, sports academy, educational institutions and cultural centers.

Ultra Tech Cement
Ultra Tech Cement, India’s biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on the healthcare and family welfare programmes, education, social welfare, infrastructure and sustainable livelihood. The company has also organized medical camps, sanitation programs, school enrollment, plantation drives, water conservation programs, industrial training and organic farming programs.

Mahindra & Mahindra
Indian Automobile manufacturer Mahindra & Mahindra (M&M) established the K.C. Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company primarily focuses on education programs to assist economically and socially disadvantaged communities. CSR programs invest in scholarships and grants, livelihood training, water conservation and disaster relief programs.

ITC Group
ITC group, a conglomerate with business interest across hotels, FMCG, agriculture, IT and packaging sectors has been focusing on creating sustainable livelihood and environment protection programs. The Company has been able to generate sustainable livelihood opportunities for six million people through its CSR activities. Their e-choupal Programs, which aims to connect rural farmers through the internet for procuring agricultural products, covers 40,000 villages and over four million farmers.

V. ISSUES & CHALLENGES IN IMPLEMENTATION OF CSR:
Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them.

1. Lack of Community Participation in CSR Activities
CSR, the term is a combination of Corporate and societies responsibility in together. However, there is lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributed 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
NGO’s can prove to be a boon for performing/ carrying out various CSR activities. However, NGO’s as a tool is rarely considered due to the reasons like inefficiency, incompetency, lack of resources and support for their development. So, there is 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 compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

3. Narrow Perception towards CSR Initiatives
Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies. As a result, they find it hard to decide whether they should participate in such activities at all in the medium and long run.
4. 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 local agencies as they do not make adequate efforts to disclose information on their programs, audit issues and utilization of funds.

5. 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.

6. 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.

7. 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 CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organizations to involve themselves in event-based programs.

8. Greenwashing
A company’s management has a fiduciary duty to its shareholders and CSR directly opposes this, argues Aneel Karnanai, Professor at the University of Michigan. That is why some companies talk about CSR but they do nothing about it. This is called Greenwashing. This was also the classical view of the CSR which says that it is the first and foremost duty of the managers of the company to make more and more profits for the shareholders, if they spend some part of it on CSR activities, it would be injustice with the owners of the company.

VI. SUGGESTIONS TO MAKE CORPORATE SOCIAL RESPONSIBILITY

A Success
Before recent statutory guidelines, there were no clear cut guidelines or policy directives to give a definitive direction to CSR initiatives of companies. In fact, the scale of CSR initiatives of companies should depend upon their business size and profile. In order to make CSR a success in India, the following recommendations appear relevant:

1. Creation of Awareness about the CSR amongst the General Public
To make CSR initiatives more effective, awareness about CSR should be created by various stakeholders including the media to highlight the good work done by corporate houses in this area. Local community should be encouraged in participating and contributing to CSR activities of companies.

2. Well Organized NGOs
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.

3. More Transparency
Transparency in operations though well defined reporting practices is a key to the success of any CSR initiative at the local level. For this, companies must disclose their spending and the areas on their own websites and the website of the Ministry of Corporate Affairs (MCA).

4. Developing Common Strategies
There should not be any duplication of work being performed by various companies in the same area under their CSR initiatives, rather these companies should join together to serve the society in the best possible way.

5. Innovations in CSR Aspects
Some innovative models must be developed to push the development agenda in a mission mode. Recently, Bombay Stock Exchange and the Indian Institute of Corporate Affairs (IICA) have entered into an agreement to develop a CSR index. Two bodies have come together to work on capacity building on CSR, conduct education and awareness programmes and other activities. The proposed CSR index would assess impact and performance of companies listed on the BSE in CSR activities.

6. Introduction of CSR as a Subject
CSR should be taught at colleges and universities to make students aware of the nature and role of CSR in development. They must know that companies exist in societies and should give back a lot to the society through effective CSR initiatives.
7. More Companies to be brought Under the CSR Domain

More companies need 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 (SME) in the CSR domain will be essential. Even though the current coverage of companies will be limited but in future, the government may revise the guidelines to bring more companies in the CSR ambit.

8. Linking CSR Activities to the Company Values and Making Sincere Efforts

Companies must give due weight age to the proposed CSR activities. Companies should appoint CSR teams to devise specific policies, strategies and goals for their CSR programs and set aside financial resources to support them.

9. Rewarding the Company Doing Well in CSR Initiatives

Government should reward corporate houses and their partner NGOs implementing policies in an effective way. So, if companies with good CSR initiatives are rewarded then it will encourage others to follow the precedent laid down. It will begin a competitive spirit among the companies to do their best in this field also.

Corporate Social Responsibility: A Road Ahead

Corporate Social Responsibility is gaining position and corporate houses are realizing that “what is good for workers- their community, health, and environment is also good for the business”. Corporate Social Responsibility is not new to Indian Corporate like the Tata Group, the Aditya Birla Group, Infosys and Indian Oil corporations etc, a few have been involved in serving the community for social good in their operations for decades long before CSR become a popular cause.

In spite of having such successful company’s examples, CSR in India is in a very nascent stage. There is much to learn about the building world class CSR programmes in the Indian Context. According to Carlos Ghosn, Chairman and CEO of Renault, it is our responsibility and it is in our own interest, to become involved in the social and societal lives of the countries where we do business.”

It is pointed that 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”.

VII. CONCLUSION

There is evidence that the ethical conduct of companies exerts a growing influence on the stakeholder’s decisions. Simply launching the charitable trusts and foundations when the workplace environment is vitiated does not serve the company’s purpose. Presently, in India, it is hard for one sole entity to bring about change, as the gauge is vast. Large enterprises can no longer continue to focus only on economic performance, without paying attention to what is happening around them. Hence, the overriding conclusion is the companies need to be mature and realize that they must practice socially conscious policies.

To conclude, CSR as a business imperative must not be accepted grudgingly 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 the society and its bright future in coming years. After all, business is by the people, for the people, and of the people.

VIII. REFERENCES