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# Corporate Social Responsibility: Issue and Challenges

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Renu Jangra

Assistant Professor in Commerce Govt. P.G. College for Women, Gohana

[renujangra4@gmail.com](mailto:renujangra4@gmail.com)

## ABSTRACT

*India has a long tradition in the field of **Corporate Social Responsibility** and industrial welfare has been put to practice since late 1800. The concept of CSR has evolved from being regarded as detrimental to company profitability, to being considered as somehow benefiting the company as a whole, at least in the long run. The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. The objective of study is to know the status of CSR in India and the issues and challenges faced by CSR activities in India. It is recognized all over the world that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that business is an integral part of society, and has a critical and active role to play in the sustenance and improvement of healthy ecosystems. This also makes business sense as companies with effective CSR, have*

*image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.*

## INTRODUCTION

Business affects all areas of life in society. Corporate social responsibility provides an intelligent way to combine economically viable development, social responsibility. Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders (employees, customers, shareholders, investors, local communities, government), on a voluntary basis. Corporate responsibility programs can help businesses entice customers, attract and retain talent, assure investors, reduce operating costs, improve employee morale and enhance a company's reputation. However, business owners should understand the benefits and limitations of corporate responsibility programs in order to choose an initiative that benefits the community and the company. Corporate responsibility programs must be embraced and supported by top management and woven into company culture and operations.

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to involve both social interest & economy.

The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. CSR is a concept that reduces cost & risks increase the brand value & reputation. It brings about clarity in the working environment of the business house.

#### **OBJECTIVES OF THE STUDY:**

1. To study the concept of CSR.
2. To know about the status of CSR in India.
3. To assess the models show about the evolution of CSR in India.
4. To study the issues and challenges faced by CSR activities in India
5. To find out suggestions in relation to this aspect.

#### **RESEARCH METHODOLOGY:**

The research paper is an attempt of exploratory research based on the secondary data sourced from published journals, magazines & articles. Keeping in view the set objectives, this research design adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study & many websites were also used & recorded for the study.

#### **CSR STATUS IN INDIA**

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now

generally known as CSR. India has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR.

The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society.

As discussed above, CSR is not a new concept in India. Since their inception, corporate like Tata group, Aditya Birla group, Indian oil corporations have been involved in serving the community. Through donations and charity events many organizations have been serving their part for the society. The basic aim of CSR in these days is to maximize the company's overall impact on the society and stakeholders. Many companies realize that CSR is not a indirect expense but is

important for protecting their goodwill and to maintain their competitiveness. Recent studies and surveys have shown that India's CSR performance of public sector enterprises has ranked some of the best in Asia. For instance, Coal India Ltd. (CIL) targeted to invest US\$ 67.5 million in 2010-11 on social and environmental causes. Similarly, NALCO has contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its CSR (Prabhakar and Mishra, 2013). India Inc has established a global platform to showcase the CSR performance of Indian business entities.

Corporate social responsibility in India is finally a "reality". Many organizations realize its importance in the field of their business as well as in personal life. There are mainly three pillars of CSR that includes:

- Economic development
- Social development
- Ecological development

Many organizations realize that they have to look at all the three aspects not the one. Corporate needs people, raw material and a peaceful and enabled environment to sell procured goods which are available only in a society. Recent surveys have also shown that consumers have preferred to buy the products of those business entities which are more sensitive towards CSR. It is therefore for the best of corporate interest to harmonize personal interest with larger public interest for the greater welfare of society as well as corporate. Furthermore, Section VII of the Companies Bill has

considerably widened the ambit of CSR activities which now includes:

- Poverty eradication
- Promotion of education, gender equality and women empowerment
- Reducing child mortality and improving maternal health
- Combating AIDS/HIV, malaria and other diseases
- Ensuring environmental sustainability
- Employment-enhancing vocational skills and social business projects
- Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities and women.

There is an example which shows that how society influenced with the wrong decisions of organizations. These are following:-

#### **SATYAM:**

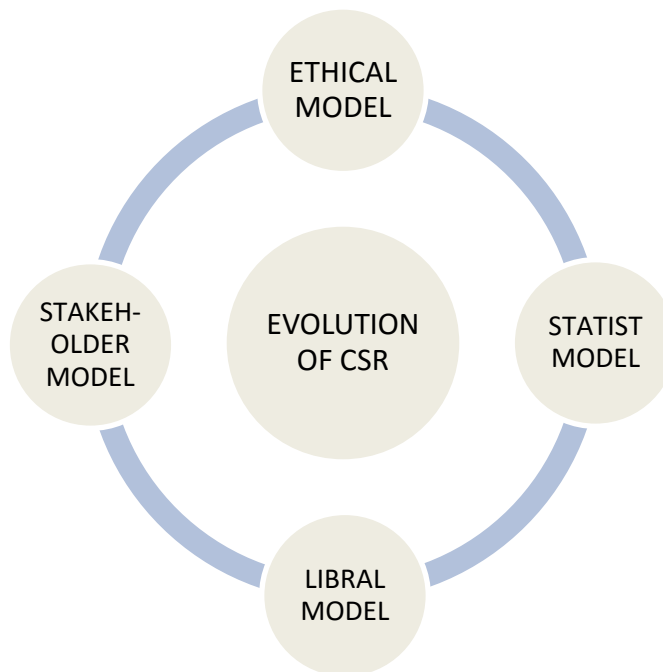
The Satyam Computer Services scandal was a corporate scandal that occurred in India in 2009 where chairman Ramalinga Raju confessed that the company's accounts had been falsified. The Global corporate community was shocked and scandalized when the chairman of Satyam, Ramalinga Raju resigned on 7 January 2009 and confessed that he had manipulated the accounts by US\$1.47-Billion.

In February 2009, CBI took over the investigation and filed three charge sheets

(on April 7, 2009, November 24, 2009 and January 7, 2010), which were later clubbed into one. On 13 April 2009, via a formal [public auction](#) process, a 46% stake in Satyam was purchased by Mahindra & Mahindra owned company Tech Mahindra, as part of its diversification strategy.

## INDIAN COMPANIES SETTING STANDARDS

Few Companies which are setting standards in CSR and re leading by example are ABN AMRO Bank NV (India), ACC Ltd, Accenture Services Pvt. Ltd, Ashok Leyland, Bajaj Auto Ltd, Bharat Heavy Electricals Ltd, Bharti Airtel Ltd, Dr Reddy's Laboratories Ltd, Ford India Ltd, Grasim Industries Ltd ,HDFC Bank Ltd ,Hindustan Lever Ltd etc.



### Models showing CSR evolution:

- **ETHICAL MODEL(1930-1950's):**

One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhi ji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic

development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model. Gandhian ethical model could serve as a remedy to harmonize the conflict between economic development, environmental security and social welfare. It is worthwhile to quote what Mahatma Gandhi said in Harijan in 1942, "the rich should ponder well as to what is their duty today..... But understand that your

wealth is not yours; it belongs to the people. Take what you require for your legitimate needs, and use the remainder for society.

- STATIST MODEL(1950-1970’s):**  
 A second model of CSR emerged in India after independence in 1947, when India adopted the socialist and mixed economy framework, with a large public sector and state-owned companies. The boundaries between the state and society were clearly defined for the state enterprises. Elements of corporate responsibility, especially those relating to community and worker relationships, were enshrined in labour laws and management principles.
- Liberal model(1970-1990’s):**  
 This approach was encapsulated by the American economist Milton Fried-man, who in 1958 challenged the

very notion of corporate responsibility for anything other than the economic that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

- Stakeholder’s model(1980-present):**  
 The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to full fill. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms. This model is enumerated by R. Edward Freeman.

A table below show about the mechanism of CSR model:

<b>Models</b>	<b>focus</b>	<b>contributions</b>
<b>Ethical</b>	<b>Voluntary contribution in public welfare.</b>	<b>Mahatma Gandhi</b>
<b>Statist</b>	<b>State ownership and legal needs determine corporate responsibility.</b>	<b>Jawaharlal Nehru</b>
<b>Liberal</b>	<b>Corporate responsibility directed to private owners.</b>	<b>Milton Friedman</b>
<b>Stakeholder</b>	<b>Companies respond to the needs of various stakeholders.</b>	<b>R. Edward freeman</b>

**ISSUES AND CHALLENGES:**

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. The practical implementation of CSR is faced with a lot of issues and challenges.

**The major issues & challenges faced by CSR are:**

**Lack 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 programmes, 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 nongovernmental 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.

**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.

#### **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.

#### **Lack of consensus in implementing CSR projects:**

There is lack of consensus amongst local agencies in implementing 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.

#### **SUGGESTIONS:**

1. Govt. should encourage special plans so that employees and local persons benefitted.

2. It should be the responsibility of every citizen to uplift the morality of his fellow citizen to boost up and to follow the views of our great leaders who sacrificed their life for the society and nation.
3. Each and every citizen should be made and feel responsible for the development of his surroundings.
4. There is a need of creating awareness about CSR among the general public. 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.
5. The companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility. This alliance, representing various industry interests, should take up broad development agenda and provide high value services to the poor and the underprivileged.
6. To improve the workings of CSR in relation to different aspect involving customers, suppliers, environment, communities and employees.

#### **CONCLUSION:**

Corporate sustainability is an evolving process not an end. Corporate social responsibility is a concept that reduces the costs & risks, increase brand value & reputation, effectiveness & efficiency of employees, improve transparency and



clarity in working environment of business house.

If all the companies understand their responsibility towards its various stakeholders it will be beneficial for them and it helps in building the goodwill. In today's scenario to fulfill social responsibility is the key for success and for attaining competitive advantage. CSR's main aim is to embrace responsibility for company actions and to encourage a positive impact through its activities on the aspects related to various parties in corporate sector.

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