

# Corporate Social Responsibility: Issues & Challenges

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*ABSTRACT- As per the new Companies Act 2013, corporate social responsibility is emerging as a mechanism in socio economic development of the country. Due to the provisions of corporate social responsibility, it is evolving as a new instrument of social development. The practices and initiatives taken by corporate to develop the Indian society is making a vigorous change and it can be seen around us. This paper is an attempt to identify the outcomes, issues and challenges of corporate social responsibility.*

**KEYWORDS:** Corporate Social Responsibility, Initiatives, Challenges.

**INTRODUCTION TO CSR** -As time passed, globalization came business has undergone so many changes. In recent years, the corporate business houses have started accepted a new dimension with corporate social responsibility as they treated CSR as an investment for business development. There is increasing focus by companies on

examining their social responsibilities like most of the companies started published the corporate sustainability report along with its annual reports. Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. Sustainability refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders (van Marrewijk & Verre, 2003). Organizations have developed a variety of strategies for dealing with this intersection of societal needs, the natural environment,

and corresponding business imperatives. Organizations can also be considered on a developmental continuum with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide. At one end of the continuum are organizations that do not acknowledge any responsibility to society and the environment. And on the other end of the continuum are those organizations that view their operations as having a significant impact as well as reliance on society at the economic, social, and ecological levels, thus resulting in a sense of responsibility beyond the traditional boundaries of the organization. Most organizations can be placed somewhere in between.

Corporate responsibility or sustainability is therefore a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management. Management education can be an important source of new ideas about shifting toward an integrated rather than fractured knowledge economy, but this means also that the role and meaning of

socially responsible leadership needs to be updated. Much further research is needed to create a clearer understanding of what is required, both in leadership itself and in the field of leadership development.

**RESEARCH METHODOLOGY:** The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

#### **REVIEW OF LITERATURE:**

- **Khan and Atkinson (1987)** conducted a comparative study on the managerial attitudes to social responsibility in India and Britain. The study shows that most of the Indian executives agreed CSR as relevant to business and felt that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state.
- **A Survey by TERI Europe and ORGMARG (2001)** in several cities in India revealed that more than 60% of the people felt that the companies should be held responsible for bringing down the gap between rich and poor, reducing human rights abuses, solving social

problems and increasing economic stabilities.

- **Centre for social markets (2003)** conducted a study in which it was found that social responsibility is seen to be an important business issue within the sample firms, irrespective of firm size, age, sector, location, primary purpose or legal status.
- **Arora and Puranik (2004)** reviewed contemporary CSR trends in India concluding that the corporate sector in India benefitted immensely from liberalization and privatisation process, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth.
- **Verma and Chauhan (2007)** found that roads, pollution and power are the major concern of corporate CSR activities as compared to least concern area which is communication and education

**BUSINESS AND SOCIETY:** CSR is also called corporate conscience, corporate citizenship, social performance or sustainable responsible business. CSR is the responsiveness of the business organisation towards the society.

The term Corporate Social Responsibilities came in to common use in the late 1960s and early 1970s, after many multinationals corporations formed. CSR concept was used for the first time by an American economist Howard Bowen in 1953. During last 5 decades CSR has become an important and discussed instrument controlling how a corporation is treating its employees, environment and the society itself.

CSR is becoming an increasingly important activity to business nationally and internationally. CSR activities are now being undertaken throughout the globe.

According to Keith Davis,' Corporate Social Responsibility is the obligation of the decision makers to take decisions to protect the interest and welfare of the society as a whole along with their own interest. Andrews has given a broader view when he observes " by social responsibility we mean the intelligent and objective concern for the welfare of the society that restrains individual and corporate behaviour from ultimately destructive activities , no matter how immediately profitable and leads in the direction of positive contributions to human betterment.

## ORGANIZATIONAL CHALLENGES AND LIMITATIONS :

Companies face challenges and limitations as they implement CSR. These usually relate either to political issues or to organizational-level concerns and are often embedded in culture. The complexity of operating in a global society places new demands on organizations and their leadership.

As the roles and responsibilities of government are being redefined and the boundaries between business and government become less clear, the literature shows that business leaders are facing a daunting array of challenges. In the new age of CSR, the needs of the stakeholders, consumers, employees, national as well as international regulators, watchdogs, NGOs, and activist groups have to be satisfied (Hatcher, 2002). Lewicka-Stralecka (2006) identifies the opportunities and limitations of CSR in the so-called countries of transformation, or Central and Eastern European countries.

## IMPLICATIONS OF CORPORATE SOCIAL RESPONSIBILITY:

1 The neutral and negative aspects of personal behaviour are as important as the positive. An individual manager may not

support a trade union but he has no right to destroy it.

2 CSR is an interpersonal and reciprocal relationship. Just as a company owes responsibility to towards social groups every social group in turn responsible to the company .It should develop attitudes and policies favourable to business.

3 Social obligations is a personal attitude. An organisation can discharge its social responsibility only through the individuals who manage and control it.

4 Social responsibility of a manager needs to be commensurate with his social power i.e power to influence the society.

5 The standards of social obligation can be fixed keeping in view social norms and expectations.

6 CSR is a continuing obligation. Any business enterprise remains responsible to society throughout its continued existence. An enterprise has to ensure at all times that its decisions and operations meet the needs and interest of society.

**CORPORATE SOCIAL RESPONSIBILITY OF BUSINESS IN INDIA:** In India business by and large does

enjoy good public image. A few leading business houses have made significant contributions to the economic and social well being of the country. But instances of adulteration, hoarding, black marketing, and exploitation of workers, tax evasion and other anti social practices are very common. In order to ensure freedom of enterprise businessmen needs to be more responsible towards the society. The government industrial policy states that if industry acquires an increasing sense of social responsibility government can concentrate more on measures to help industry rather than to control it.

## HOW TO ENFORCE CORPORATE SOCIAL RESPONSIBILITY?

STEPS TO BE TAKEN BY INDIAN BUSINESS HOUSES:-

- Legislative measures
  - (a) Corporate social responsibility clause to be specified by every big company in its Memorandum of Association.
  - (b) Representation of social groups in the Board of Directors and annual general meeting of a company.

(c) Social audit to judge the contribution of a company towards social welfare

### □ Voluntary measures

(a) Law alone cannot make businessman socially responsible. So shareholders should form their associations and chambers of commerce should exercise effective control over company management.

(b) Consumers should form their associations to force the businessman to discharge their obligations.

(c) Trade associations should exercise effective control to prevent anti social practices among businessman.

(d) Business enterprise should develop an organisation culture conducive to the assumption and discharge of social responsibility.

## GUIDELINES FOR IMPLEMENTING CORPORATE SOCIAL PROGRAMMES:

- Planning for social performance implementation
  - ✚ develop knowledge about environment in which the program will operate
  - ✚ set realistic objectives

- ✚ set time table for implementation of various types of programs
- ✚ provide for participation by lower level managers in the planning process
- Organising for social performance implementation
  - ✚ where possible, delegate much of the planning function to staff specialist
  - ✚ once planning is complete delegate authority for operation of program to line managers
  - ✚ hold line managers responsible for achieving goals of the program
- Staffing for social performance implementation
  - ✚ select appropriate staff personal to work with program
  - ✚ replace line personnel who demonstrate they will not support program
- Leading and motivating for social performance implementation
  - ✚ CEO must visibly support programs
- ✚ communicate purposes and appropriate details of programs to employees
- ✚ establish performance evaluation and reward system that provides for positive reinforcement
- Control for social performance implementation
  - ✚ modify management information system to incorporate pertinent and timely information on social performance
  - ✚ feed information into performance evaluation and planning system

**LAW:** Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

### **STATUS OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA:**

- About 36 percent of companies surveyed had some sort of policy on supporting social development
- Only 7 percent of the companies surveyed had a written policy
- Almost 60 percent of the companies with a policy had a person or department responsible for implementation
- Of the companies surveyed 46 percent were involved in development activities. These companies were mostly large and old companies
- Over 80 percent of companies were working with NGOs of which Rotary and Lions club received the largest mention. This means that NGO still has a minor mention in corporate social development initiatives.
- Cash donation was overwhelmingly the most preferred form of support
- Companies with a policy were significantly large providers

**CONCLUSION:** According to the emergent literature, there is a growing awareness that business needs to manage its relationship with the wider society. Corporate leaders are responsible for their corporations' impact on

society and the natural environment beyond legal compliance and the liability of individuals. To the apprentice, this annotated bibliography offers a short but nevertheless deep introduction to the field. More experienced leaders can gain new perspectives on how to grow in their approach to sustainability and how to develop innovative business models in accord with the triple bottom line.

CSR is becoming a leading principle of top management and of entrepreneurs. The number of observations in research in this field clearly delineated models, leadership competencies, accountability, and structure of partnerships as well as organizational challenges and limitations and ethics. CSR clearly impacts our corporations, society, and educational organizations. Despite its complexities, the numerous sustainability initiatives point toward continued, positive impact. CSR policy should function as a built-in, self-regulating mechanism whereby businesses would monitor and ensure their adherence to law, ethical standards and international norms. In the recent years corporate business houses have substantially involved towards societal responsibilities. Companies

have started to realise the importance of CSR and initiating the steps towards it.

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