A study on Corporate Social Responsibility-
Issues and Challenges in India

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Abstract: In this age of globalization considering entire globe as one village has reduced the differentiation in companies competing with brands and the very concept of profit making. The key mantra for long term survival of any organization is not only profit making but also consider the values of the society and even economic welfare. In order to sustain in the global market the companies must strive towards creating quality in terms of welfare activities and joining hands with the government bodies for economic growth. In this process, Corporate Social Responsibility becomes a major tool in the hands of companies to achieve these objectives. In this paper we try to understand the various Corporate Social Responsibility activities carried on by the companies operating in India where it has become mandatory regulation in the development of economic and social interest, key issues and challenges faced by these companies in implementation of CSR.

It is purely based on the secondary data and tries to highlight the issues and challenges faced by Indian companies in implementation of CSR as a tool in the economic development.

Key words: Corporate Social Responsibility, economic development, issues and challenges, mandatory regulations.

Introduction:

CSR has progressed considerably from past few decades and it is becoming more vital and essential for all the companies to implement and follow CSR as a part of their day to day business activity. CSR has gained its importance even in India, where in, the companies have realized that beyond making profits some extra efforts which is expected out of them for the welfare of the society. Growing along with the social consciousness is what makes the companies to survive for a longer duration.

CSR is a multi dimensional concept; it focuses on the social, environmental and financial success of the company. CSR is a tool for understanding and delivering the social responsibilities of the company in a more elegant and deliberate manner. CSR has become a global concept and also a mandatory action which need to be undertaken by the growing companies as a part of sustaining strategy. The key driver for CSR is progressive self-interest, social investment, transparency, trust and increased public expectation of the business. According to Lord Home and Richard watts-

Corporate Social Responsibility is 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.

Initially Indian business sector presented a mix response for the social responsibility concept. The earlier profounder of the concept of CSR in Indian are Gandhiji, Aditya Birla 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 corporate 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 and in children educations as well.

Literature Review:

Literature has been reviewed to study the impact of CSR. The World Business Council for Sustainable Development (WBCSD) defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families, as well as of the community and society at large.”
1. Dinesh Tondon in his study “corporate Social Responsibility In India—Present status and Challenges” says that how social responsibility is becoming mandatory in every company. His study gives a brief note about the integration of CSR with overall operations of business. The paper also says that CSR is no more a secondary part of the company but it has become a business idea. The conclusion he has given that CSR has gained a prominence in the society and government alone cannot be successful in uplifting the country.

2. Srinivas .K.T in his study “ A case on Corporate Social Responsibility – A case of Canara bank” gives a brief about the CSR initiatives taken by the bank. This paper also says about the profit they have made with the help of CSR. It was found that in the year 2012-13 total profits after taxes is Rs 2872 Crore. Out of which total spending on CSR is Rs 1129 Crore. He has also concluded that social consideration are the foundation on which the sustainable economic development of the country will rest.

3. Kadrolkar in the year 2011 in his study gives a highlight about the importance of CSR and how it bridges the gap between social inequality and sustainable economic development. He conducted analysis in several Indian companies and gave a conclusion that CSR is becoming a leading principal in top companies and enterprises. He also says that the companies who are in following the CSR pattern should follow it.

4. R . Ramesh in his study “corporate social responsibility –perspective in Indian context” speaks about the new CSR provisions and spending pattern towards CSR. His finding reveals that not more than 1% the companies are spending towards CSR. The paper also says that the schedules are limiting to only certain companies that engage in social business or entrepreneurship which the CSR provision are intended. He conducted an analysis on 20 companies their spending pattern and says that CSR rules are silent about the tax treatment of contribution and spending made through CSR fund by the companies.

Objectives of the Study:

1. To understand the concept of CSR from Indian Perspective.

2. MNC’s operating in India and their contribution for the economic welfare of the nation through CSR activities.

3. To analyze and understand the key issues and challenges faced by the companies in successful implementation of CSR in their business activity.

4. To study the impact of making CSR as a mandatory obligation for the companies operating in India.

Limitation of the study:

The study of this paper limits only to the companies operating in India and the issues and challenges faced by them in successful implementation of CSR activity and the information gathered is purely based on secondary data source.

Research Methodology

This research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into the objectives of the study the research design employed for the study is descriptive research design. This research design was adopted to have greater accuracy and in depth analysis of the research study. Secondary data have comprehensively used for the study. Information from different news articles, Books and Web sources are used which are recorded and enumerated.

Analysis and Interpretation:

1. CSR from Indian Perspective:

Among all the countries India has the richest tradition of CSR. Over the decades there has been a much growth in the CSR activates among the Indian entrepreneurs to take up the social welfare activities. But, it’s still at an introduction level, and it has become a mandatory obligation after the amendment of Companies Act of 2013. The concept of CSR has changed drastically from the concept of mere charity, donations to actual social welfare activity. It has become the integral part of the corporate strategy providing benefits to the society along with the welfare of employee’s plays a major role. CSR range from over all development of a community to support specific cause like education, environment, healthcare etc. Big corporate like Reliance Industries, Tata Group, Aditya Birla Group, The Coca Cola Company, and Indian Oil Corporation are involved in serving the
community. These corporate are fulfilling their responsibilities towards the society. They help by providing good standard of living by providing basic amenities required by the society.

### 2. MNC’s in India and their CSR Activity:

<table>
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<th>MNC</th>
<th>CSR Activities</th>
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| Wipro            | **Education** –Wipro Applying thought in schools( WATIS) – helps more than 1000 schools, 10,000 educators and 30 social organizations across 17 states in the country.  
                     Wipro care –health care during disasters rehabilitation project during flood and earthquake. Mission 10X –employability of our engineering graduates.  
                     Eco Eye( environment) -Biogas plant –good quality manure, Rain water harvesting , eco-friendly chemical ; to help in climate change.                                   |
| ONGC             | Education including vocational courses, Health Care, Entrepreneurship (self-help & livelihood generation) schemes, Infrastructure support near ONGC operational areas, Environment protection, ecological conservation, promotion, Protection of heritage sites, UNESCO heritage monuments etc.  
                     Promotion of artisans, craftsman, musicians, artists etc. for preservation of heritage, Art & Culture,  
                     Women’s Empowerment, Girl Child Development, Gender sensitive projects, Water Management including ground water recharge, Initiatives for Physically and Mentally challenged, Sponsorship of seminars, conferences, workshops etc.  
                     Promoting Sports/sports persons; supporting agencies promoting sports / sports persons.                                                                                                       |
| Infosys          | Hunger , Poverty , Malnutrition, and Health , Education, Rural development projects, Gender equality and women empowerment Environmental sustainability , National heritage, art and culture, initiative for 100 school teachers in Karnataka –for arthritis –free surgery programme. |
| ITC              | enhancing environmental and natural capital; supporting rural development; promoting education; providing healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India; preserving and promoting sports; |
| Mahindra &      | KC Mahindra education trust, support 75,000 underprivileged girls. Tech Mahindra’s social work is currently focused upon three areas – School Education, Employability and Technical Education. |
| Mahindra         |                                                                                                                                                                                                                 |
| Maruthi suzuki   | Community Development: The Company is committed to improving the well-being of the local community by implementing social projects in designated villages and local communities.  
                     -- a) Water and Sanitation: b) Education a) Up gradation of Government Vocational and Technical Training Institutes: b) Skill enhancement in automobile trade:  
                     a) Driving Training: The Company will scale up the number of Maruthi Driving Schools. b) Road Safety Education                                                                                     |
| Tata steel       | Health care is the main concerns ,education and income level of famers by improving agricultural productivity – raise standard of living.- rural development                                                             |
| Indian oil       | It runs a non-profit trust for the preservation and promotion of the country’s heritage . Offer 150 sport scholarship every year , domains of clean drinking water, education, hospitals and health care                              |
| corporation      |                                                                                                                                                                                                                 |
| Ashok Leyland    | It operates a Fun Bus in Chennai and New Delhi ,Orphanages and corporation primary school on a day’s picnic. It runs AIDS awareness and prevention programmes in its Hosur factories for about 3.5 lakhs drivers.                                         |
| Aditya Birla     | Initiatives to develop model villages, education , health care and family welfare, social causes-social security ( insurance) , women empowerment, infrastructure development , homes for the homeless, rural electrification, irrigation and water storage structures. |
3. Issues and Challenges in Implementing CSR

Many companies are starting to monitor and manage key indicators. Substantial evidences prove that addressing such issues can directly cut cost and save money.

The prime purpose of including CSR in corporate business is to make the corporate business activities as well as the corporate culture both sustainable in three ways: economic, social and environmental. Paying equal amount of attention to all the three dimensions, but many Companies think that corporate social responsibility is a much exterior part of their business, whereas most think it to be an irrelevant issue for their business as satisfying their customers/clients is more important for them CSR.

Some of the Issues related to CSR are as follows-

a. The lower level participation from the Government:

In the past, governments have relied only on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking Government resource coupled with distrust of regulations, which has lead to the exploration of voluntary and non-regulatory initiatives instead.

b. Need for greater exposure to CSR:

There is a growing need for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations as well from the government.

c. Positive Customer Interest:

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

d. Increased pressure from the Investor:

Investors are changing the way they assess companies performance and are making decisions based on ethical concerns too.

e. Change in employee behavior:

Employees are increasingly looking beyond salary and benefits and seeking out employers whose operating practices match their own principles and moral values. In order to hire and retain skilled employees, so the companies are being forced to improve working conditions. The survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country.

These challenges are listed below:

a. Lack of participation: The situation is further frustrated by a lack of communication between the company and the community at the grassroots. The reason is a lack of interest of the local community in participating and contributing to CSR activities of companies.

b. Need to build local capacities: There is a need for capacity building of the local non-governmental organizations as there is scarcity of trained and efficient organizations that can contribute to the ongoing CSR activities initiated by companies.

c. Issues of transparency: Lack of transparency is one of the key issues. The companies expression that there exists lack of transparency on the part of the local agencies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds.

d. Visibility factor: The role of media in highlighting the success in CSR initiatives is welcomed as it spreads good stories and sensitisizes the local population. This helps in influencing non-government organization to involve in event-based programmes for gaining visibility and branding; in the process, they often miss out on meaningful grassroots interventions.

e. 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 towards CSR activities from time to time.

4. CSR as a mandatory obligation for the companies operating in India:

The CSR as per new Indian companies Act 2013 section 135 and schedule VII of the Companies Act 2013 as well as the provision of the companies (corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014, every
company, private limited or public limited, which either has a **net worth** of Rs 500 crore or more or a **turnover of Rs 1,000 crore** or more or **net profit of Rs 5 crore** or more should mandatorily contribution, needs to be at least 2% of its average net profit , net profit made during three immediately preceding financial years on corporate social responsibility activities.

The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution to any political party is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure. The CSR Rules obliged to the holding and subsidiary companies as well as foreign companies whose branches or project offices in India fulfil the specified criteria.

The CSR activities covered under schedule VII of the companies Act 2013 are as follows:-

1. Eradicating hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making provision for safe drinking water ;
2. Promoting education , including special education and employment enhancing vocation skills especially among women, children ,elderly and the differently able and livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes and hotels for women and orphans, setting up old age home ,day care centers and such other facilities for senior citizens, measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability and ecological balance, animal welfare, agro forestry ,conservation of natural resources and maintaining quality of soil air and water;
5. Protection of national heritage, art and culture, setting up of public libraries, promotion and development of traditional art and handicrafts;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural, nationally recognized, Paralympics’ or Olympic sports;
8. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of Scheduled Caste, Scheduled Tribes , Other Backward Classes, minorities and women;
9. Contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects.
10. 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.
11. Under the provision of the act the companies must form a CSR committee. This committee will make detail plans and strategies for the CSR activities and monitoring.

Conclusion:

As society is getting more concerned about the working policies of the companies. Society Expectations are increasing towards the social development by the companies. So, it has become necessary for the companies to practice in social responsibilities to improve their image in the society. Even though companies are taking efforts for the sustainable development, the reality is that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; the fundamental objective of all business is only to help people. CSR cannot be an additional extra - it must run into the core of every business ethics, and its treatment of employees and customers. CSR is becoming a fast-developing and increasingly competitive field. The case for demonstrating corporate responsibility is getting stronger as expectations among key opinion formers, customers and the public are increasing. Being a good corporate citizen is increasingly crucial for commercial success and the key lies in matching public expectations and priorities, and in communicating involvement and achievements widely and effectively.
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