

## Corporate Social Responsibility (CSR): Issues and Challenges

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### A B S T R A C T

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. 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.

In India companies like TATA and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. In spite of having such good glorious examples; In India CSR is in a very much budding stage. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs. Large no. of companies are undertaking these activities superficially and promoting/ highlighting the activities in Media. This research paper focuses on the finding & reviewing of the issues and challenges faced by CSR activities in India.

**Keywords:** CSR, Corporate Social Responsibility, Societal Marketing

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### INTRODUCTION

The significance of CSR emerged considerably in the last decade and is becoming an increasingly important activity to businesses nationally and internationally. Over the time, CSR stretched to both social and economic interests and also broadened to cover social as well as economic interests. Companies now become more transparent in accounting and other activities due to pressure from the various interest groups of the society. It is mandatory for companies to behave in ethical and responsible manner towards the various interest groups of the society and environment. Companies started incorporating their CSR projects in their

CSR is the gateway for understanding a number of firm-related and societal issues and responding to them as per their business strategy. On the other hand, there is a universal and prominent view on protecting the environment and the various interest groups of the society. As globalization accelerates and large companies serve as global providers and have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. Budding economies like India have also witnessed a number of firms actively engaged in CSR activities, and the Ministry of Corporate Affairs has also come up with guidelines for firms to follow.

In core it is all about structuring sustainable businesses, which require healthy economies, markets and communities. The key drivers for CSR are progressive self-interest, Social investment, transparency, trust and increased public expectations of business.

### **REVIEW OF LITERATURE**

**Reed (2013)** recommends that Bangladesh has many opportunities for economic growth and social development but also many hurdles to overcome in moving to the status of a developing or a developed country. The hurdles include economic, education & health deficit. The international business community now generally understands that social responsibility has a much broader remit than the current Bangladesh practice of Corporate Socially Responsibility (CSR). Here CSR is still largely focused on donations and community investment, a practice now internationally regarded as corporate philanthropy and as only a part of CSR. The amount of money available for social development, funded through CSR donations, is increasing year by year.

**Doshi & Khokle (2012)** suggest that internal organizational factors may enable or inhibit CSR, institutional players such as industrial associations, institutional investors, labour unions, consumers, media, and the government is equally important determinants of CSR activity of an organization. Organizations with strong labour unionization act in more socially responsible manner towards their employees. These organizations fear retaliation or bad reputation among their employees as well as the society at large.

**Mohin (2012)** finds out the top ten trends in CSR for 2012 such as going global- the relentless march toward globalization will continue to stretch the scope of corporate responsibility, the triumph (or tyranny) of transparency- the pressure for ever increasing levels of transparency and disclosure will build, employee engagement emerges- the connection between CSR and engaged employees continues to grow, political pitfalls-CSR leaders should choose what they promote wisely and set clear boundaries to avoid

becoming political footballs, collaboration-companies will both compete and collaborate on CSR issues, human rights-companies have been waking up to human rights issues across their value chains, earth at seven billion and growing-as more than seven billion people compete for the Earth's resources, the need to be more efficient will continue to increase etc.

**CSR Centre (2012)** recommends that the growth of responsible business practices in Europe and North America is driving change within both the private and public sectors in developing countries like Bangladesh. The private sector in Bangladesh is beginning to recognize that corporate social responsibility (CSR) goes beyond philanthropy and compliance offers companies an opportunity to build new supply chain relationships, access new local and overseas markets, and ultimately, ensure long-term profits and sustainability. At the same time, these opportunities enable the private sectors to achieve millennium development goals (MDGs).

**Vaidyanathan & Scott (2012)** suggest that creating shared value means closely examining the linkages between economic and social progress. When businesses invest to spur better health, improve education, and generate higher productivity, they expand their customer base and increase the purchasing power for their goods and services. Creating shared value is actually going beyond traditional CSR approaches. Shared value differs from traditional CSR in that it compels firms to view social progress as a key factor in the development of their business strategy. license to operate, social benefits of successful projects, risk reduction and goodwill etc.

**Robbins (2011)** suggests that most executives believe that CSR can improve profits. They understand that CSR can promote respect for their company in the marketplace which can result in higher sales, enhance employee loyalty and attract better personnel to the firm. Also, CSR activities focusing on sustainability issues may lower costs and improve efficiencies as well. This paper also indicates that surveys and the research literature suggest that what most executives believe intuitively, that CSR can improve profits, is possible.

**Institute for Crisis Study and Alternative Development Strategy, Indonesia (2011)** recommends that the worker and the trade union, both stakeholders in the company, are certainly affected by a company's CSR policy and its implementation. This paper focus on the implementation of CSR and its effects on workers and trade unions with the assumptions that the content of a CSR program is everything that the company contributes

towards the worker's welfare other than that which is already included in the labor laws and working agreement or in the collective labor agreement, reinforcing the believe that the leitmotiv of CSR program is to divert worker's demand or to weaken, and gradually eliminate the trade union.

### **OBJECTIVES OF THE STUDY**

The main objectives of this study are to study the status of CSR in India and the issues and challenges faced by CSR in India.

### **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.

### **CURRENT STATUS OF CSR IN INDIA**

CSR – the corporate belief that a company needs to be responsible for its actions: socially, ethically, and environmentally. CSR has become the need of growing business. Businesses need to be practicise their activities to earn a good image. Big corporates like Reliance Industries, Tata Group, Aditya Birla Group, The Coca Cola Company, and Indian Oil Corporation are involved in serving the community. These corporates are fulfilling their responsibilities towards the society. Many other organizations have been doing their part for the society through donations and charity events. Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the company's business expertise.

### **DRIVERS PUSHING BUSINESS TOWARDS CSR**

#### **1. The shrinking role of government**

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

#### **2. Demands for greater disclosure**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

### **3. Increased 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 by **Environics International**, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

### **4. Growing investor pressure**

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by **Environics International** revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

### **5. Competitive labour markets**

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

### **6. Supplier relations**

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

## **POSITIVE OUTCOMES OF SOCIAL RESPONSIBILITY**

### **1. Company benefits:**

- ✓ Improved financial performance;
- ✓ Lower operating costs;
- ✓ Enhanced brand image and reputation;
- ✓ Increased sales and customer loyalty;
- ✓ Greater productivity and quality;
- ✓ More ability to attract and retain employees;
- ✓ Reduced regulatory oversight;
- ✓ Access to capital;

- ✓ Workforce diversity;
- ✓ Product safety and decreased liability.

## 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;
- ✓ Better product durability and functionality;
- ✓ Greater use of renewable resources;
- ✓ Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

Nevertheless, many companies continue to overlook CSR in the supply chain - for example by importing and retailing timber that has been illegally harvested. While governments can impose embargos and penalties on offending companies, the organizations themselves can make a commitment to sustainability by being more discerning in their choice of suppliers.

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

The **Global Reporting Initiative** is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organization-level activity. Its mission is to improve the comparability and credibility of sustainability reporting worldwide. There is increasing recognition of the importance of public-private partnerships in CSR. Private enterprise is beginning to reach out to other members of civil society such as non-governmental organizations, the United Nations, and national and regional governments.

An example of such a partnership is the '**Global Compact**'. Launched in 1999 by the United Nations, the Global Compact is a coalition of large businesses, trade unions and environmental and human rights groups, brought together to share a dialogue on corporate social responsibility.

#### BEST PRACTICES FOLLOWED BY INDIAN COMPANIES RELATED TO CSR

**1. ONGC and Indian Oil Corporation** - ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. In 2007-08 Rs. 246.70 crores was spent by oil PSUs on CSR activities. ONGC, CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.

**2. SAIL** - SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water.

**3. BHEL & Indian Airlines** - BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.

**4. The Coca Cola Company** - Coca Cola and NDTV engaged in "Support my school" - The Coca-Cola Company Expands 5by20 Women's Economic Empowerment Initiative.

**5. Reliance Industries** - Reliance Industries initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.

**6. Mahindra & Mahindra** - Mahindra & Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.

**7. GlaxoSmithKline Pharmaceuticals** - GlaxoSmithKline Pharmaceuticals CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.

**8. Bajaj Electricals Ltd.** - Bajaj Electricals Ltd. corporate social responsibility activities include Education, Rural Development & Environment.

#### ISSUES AND CHALLENGES OF CSR

There are number of challenges to the implementation of CSR. They are enumerated below:

**1. Lack of Awareness of General Public in CSR Activities:** There is a lack of interest of the general public in participating and contributing to CSR activities of companies. This is because of the fact that there exists little or no knowledge about CSR. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

**2. Need to Build Local Capacities:** There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organisations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

**3. Issues of Transparency:** Lack of transparency is one of the key challenge for the corporate as there exists lack of transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This negatively impacts the process of trust building among the companies which is a key to the success of any CSR initiative.

**4. Non-Availability of Well Organized Non-Governmental Organizations:** 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.

**5. Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the population about various ongoing 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 programmes; in the process, they often miss out on meaningful grassroots interventions.

**6. 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 as donor-driven. As a result, corporates find it hard to decide whether they should participate in such activities at all in medium and long run.

**7. 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. The scale of

CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger its CSR programme.

**8. Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst implementing 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 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.

### CONCLUSIONS

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 social responsibilities to enhance their image in the society. Even though companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR. There are people who claim that Corporate Social Responsibility underlies some ulterior motives while others consider it as a myth. 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; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; 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. Thus, 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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