Corporate Social Responsibility: Issues and Challenges

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Abstract

Business organizations are an essential part of the society they do not exist in vacuum. In terms of improving the standard of our society the company has to maintain ethical standards. In India, CSR has automated to include employees, customers, stakeholders and sustainable development of corporate citizenship. Today, CSR become diversified in Indian companies primarily focuses on poverty alleviation, environmental protection and sustained development of a Companies and taking initiative for developing infrastructure in rural area. Many organizations outcomes are rated on the basis of performance of their corporate social responsibility. As a result CSR has come out as a predictable anxiety for business administrator in every organization. To keep up the ethical business standards in an organization exploratory to moral character of business people, employees, consumers as well sticking to the fundamental moral codes of trustworthiness, respect, responsibility, fairness, caring and citizenship. 

Keywords: Business Ethics, Business Culture, Ethical Conduct, public Responsibility

INTRODUCTION

The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperative of climate change. 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. It is recognized the world over 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 businesses are an integral part of society and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity and in upholding the essentials of ethical practices and good governance. 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. Indian entrepreneurs and business enterprises have a long tradition of working within the values that have defined our nation's character for millennia. India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development.

CSR IN GLOBAL CONTEXT

While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility. This is evident in some of the definitions presented below:

The EC defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate...
social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”

CSR IN INDIA

CSR in India has traditionally been seen as a philanthropic activity keeping with the Indian tradition that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, it is obvious that much of this had a general character summarized within it, whether it was endowing institutions to actively participating in India’s freedom movement, and embedded in the idea of trusteeship.

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space with the aim of improving the activities to educational, research and cultural for the development community through various projects. As of today’s Indian companies are competing with global business to become more and more responsible of active participation in social activities become highly demanding, even though CSR remains largely restricted to community development, it is getting more strategic in than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports. The Companies Act, 2013 has introduced the idea of CSR has place front position and in promoting greater transparency. Under Schedule VII of the Act, the focal point of CSR activities which lists out to suggests communities. On the other hand, the company’s core operation is to discussing a company’s relationship to its stakeholders, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of humanity. It will be interesting to undergo the CSR changes in observing the ways in which translate into action at the ground level.

In India, some public sector companies can spend more than 5% of their profits on CSR activities. Some social activity promoting groups have been quite victorious in suggesting the companies to fund CSR schemes. In most of the foreign countries like Europe, ideas of CSR almost certainly developed out of the Church in a sense of ethics. In India, CSR has progressed to cover employees, customers, stakeholders and for sustainable development of corporate citizenship. In international companies, the approach to CSR typically emerges from one of three elements including a decentralized strategy which might examine human rights, a centralized strategy (which would be company-wide) or a globally integrated strategy (which would include Coca Cola or oil companies - where local actions can impinge globally). Many large companies enter into CSR through acts of philanthropy including, for example, Bill Gates or Warren Buffet. For such companies, the CSR an activity brings out the tax advantages are attractive or it may merely be a intellectual way to retain of resources. In this citation India has been a major beneficiary from the Gates Foundation, particularly in health care to make the Indian economy healthier.

From the employee point of view the CSR has been extremely important in India. For example, after 1945, TATA put into service of social welfare requirements for its employees that become a governmental norm. Similarly, India has a large proportional demographic advantage with considerable numbers of graduate engineers, for example, probably only one third is actually employable.

There is also concern from employees that what would happen to the welfare culture if an Indian company took control to any other international firm.

From the side of the customer, CSR program can relate to issues of product quality. For example, Sony recently recalled, on a global basis, batteries it used in Dell computers. In Japan, the customers are highly cautious towards packaging of led to huge product safety concerns. Over the last 15 years have observer substantial developments in the area of consumer rights. The Indian Supreme Court has declared that it would be better to lose 1000’s of jobs in order to protect the health of millions through cleaner air and a better environment.
CSR AND SUSTAINABILITY

Corporate sustainability is derived from the concept of sustainable development which is defined by the Brundtland Commission as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Now a day’s most of the corporate are looking for healthy and wealthy environment to retain the company’s growth as an agenda of sustainable development and balanced approach to economic progress, social progress and environmental stewardship.

CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental contact of business. Hence, much of the Indian practice of CSR is an important factor of sustainability on responsible business. An interesting case in point of social, environmental and economic responsibilities of business issued by the Ministry of Corporate Affairs in June 2011. There are eight Principle relating to comprehensive development encompasses most of the aspects covered by the CSR clause of the Companies Act, 2013. However, the remaining eight principles relate to other aspects of the business. The UN Global Compact, a widely used sustainability framework has 10 principles covering social, environmental, human rights and Governance issues, and what is described as CSR is implicit rather than explicit in these principles.

BENEFITS OF A HEALTHY CSR

As the business setting gets more and more complex and stakeholders become verbal about their expectations over good CSR practices which could bring in greater benefits, some of the good CSR practices are as follows:

Society provides the license to operate:
Values and ethos are the key motivating factor for the stakeholders that influence corporate behaviour through laws and regulations, investors and customers. In India, stakeholder is the important community and many companies have started realizing that the ‘license to operate’ is no longer given by governments alone, but societies that are impacted by a company’s business operations. Thus, a strong CSR programmer that meets the aspirations of these communities not only provides them with the license to operate, but also to maintain the certify, thereby precluding the ‘trust deficit’.

Attracting and retaining employees:
Effective human resource practices have linked a company’s ability to attract, retain and motivate employees with their CSR commitments. Involvements that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the company.

Society as suppliers:
There are certain innovative CSR proposals emerging, wherein companies have invested in enhancing community source of revenue by incorporating them into their supply chain and this has benefitted communities and increased their income levels

Enhancing corporate reputation:
Companies benefited with the proper practicing of CSR generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate.

ISSUES & CHALLENGES:

Many companies think that corporate social responsibility is a marginal issue for their business and customer satisfaction more important for them. They imagine of the corporate could be on customer satisfaction about price and service, incase if they fail to point out on important changes that are taking place international level that could carry the business out of the community. Thus to create more opportunity social responsibility which is an opening for the business. Some of the drivers pushing business towards CSR include:
The Shrinking Role of Government:
The governments are the key driver in change of business regulation as to deliver social and environmental objectives in the business sector. Shrinking government resources, tied with a suspect of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

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

CHALLENGES:
Lack of the people Participation in CSR Activities:
There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable 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.

Need to Build Local Capacities:
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. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

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 the local implementing agencies as they do not make adequate efforts to disclose information on their programs, 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 Non-governmental 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.

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; in the process, they often miss out on meaningful grassroots interventions.

Narrow insight of 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.
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 from time to time.

CONCLUSION:

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 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. Thus the companies should bring the positive outcomes that can adopt business policy of social responsibility.

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