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SOCIAL RESPONSIBILITY- AN ETHICAL NEED FOR THE CORPORATE INDIA

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Abstract

Corporate Social Responsibility is an act of engaging the practices of a company in a more economical, social and environmental sustainable manner, while simultaneously recognizing the interest of its entire stakeholders. Through CSR the organizations can better serve the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. It is observed that thrust of CSR is an inclusive growth not only because of their effect on the environment degradation but also due to the socio-economic needs of the neglected and marginalized sections of the society. The present paper highlights the policy framework, issues and challenges and models of CSR. The paper shall also present recent literature review in brief on the selected topic. The purpose of this paper is to bring into sight the CSR risks in India and also to analyze the current trends in CSR in India. The main objective of this paper to present the areas which are covered and uncovered with regards to this issue. The paper is purely secondary in nature. In the end the researcher concludes the paper based on the findings drawn and gives recommendations accordingly.

Key Words: Economical, Environmental, Responsibilities, Societal.

Introduction

The term "Corporate Social Responsibility" became popular in the 1960s. Corporate Social Responsibility (CSR) is becoming an increasingly important activity to business nationally and internationally as globalization accelerates a large corporation's serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. This paper focus mainly on the issues and challenges, models, risk and current trends of Corporate Social responsibility.

Objectives of the Study

- ❖ To examine the issues and challenges of CSR in India.

- ❖ To study the models of CSR in India.

- ❖ To find out the CSR risk in India.

- ❖ To analyse the current trends in CSR in India.

Significance of the study:

The main purpose of this study is to examine the issues and challenges of CSR in India, to study the models of CSR in India, to find out the CSR risk in India and to analyse the current trends in CSR in India.

Review of Literature

According to **Kalpeshkumar L Gupta & Rachna Arora (2014)** the aim of this paper is to describe the existing practices of corporate social responsibility in public sector enterprises in India. They have taken 5 Maharatna and 3 Navratna companies as part of their study. They concluded by that these companies mainly focuses their activities on education and health sectors only it is also suggested to enlarge their activities to other sector also in future for the betterment of the society.

Dr.Richa Garg and Renu Arora (2013) this paper examines that in India companies like TATA and Birla are practicing the corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. This research paper focuses on finding & reviewing of the issues and challenges faced by CSR activities in India. They concluded by suggesting that there is a need for creation of awareness about CSR activities among the general public in order to overcome the challenges faced by CSR activities in India.

Rajeev Prabhakar and Ms. Sonam Mishra (2013) this research paper try to analyse the study of CSR status in India, this can give insight to what extent companies can follow the CSR. The researchers suggested that the only medium and large scale corporate houses only involved in CSR activities, that too in selected geographical areas. This may paves the way for more companies to be brought under the CSR domain.

Ramendra Singh and Sharad Agarwal (2013) in this paper, discusses the contemporary understanding of CSR practiced by companies operating in India. They present the finding of research on top 200 Indian companies using content analysis. They found that companies and non-governmental organizations should actively consider pooling their

resources and building synergies to implement best CSR practices to scale up projects and innovate new ones to reach out to more beneficiaries.

Richa Gautam and Anju Singh (2010) this paper examines how India's top companies view, and conduct their CSR, identifies Key CSR practices and maps these against Global Reporting Initiative standards. The CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facility and services.

Methodology of the Study:

The study is based on the secondary data only. The data's are collected from the Websites, Dissertations, Papers, Magazines, journals, E-Book, Research Reports and India Corporate Responsibility Reporting KPMG Survey 2013 and the analyses are made.

Limitations of the study:

This study is purely based on Secondary data and limited to India only due to the time constrains.

Corporate social responsibility - definition:

Lord Holme and Richard Watts defined that "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".

Corporate social responsibility - meaning:

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. It is a form of corporate self-regulation integrated into a business model. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectation of shareholders and stakeholders.CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered stakeholders. CSR is also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business / Responsible business.

Importance of corporate social responsibility:

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent in accounting a display "public reporting" due to pressures from various stakeholders. It is possible for companies to behave in the "desired" ethical and responsible manner towards consumers, employees, communities, stakeholders and environment. They have started incorporating their CSR initiative in their annual reports.

CSR is an entry point for understanding a number of firm- related and societal issues and responding to them in a firm's business strategy. However, there is a universal and prominent view on protecting the environment and stakeholder's interest. Emerging economies like India have also witnessed a number of firms actively engaged in CSR activities, and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes.

Common types of corporate social responsibility actions:

The following is a list of common ways Corporate Social Responsibility is implemented by organizations.

Environmental sustainability: Areas include recycling, waste management, water management, using renewable energy sources, utilizing reusable resources, creating 'greener' supply chains, using digital technology instead of hardcopies, developing buildings according to Leadership in Energy and Environmental Design(LEED) standards, etc. There is a business sector dedicated to specifically to environmental sustainability consulting for business of any size to utilize. The highest ranked sustainability consulting firm in Ernst and Young.

Community involvement:

This can include raising money for local charities, supporting community volunteerism, sponsoring local events, employing people from a community, supporting a community's economic growth, engaging in fair trade practices, etc. star bucks is an example of a company that focuses on community involvement and engagement; since these programs began the company has seen higher profits and greater employee engagement.

Ethical marketing practices: companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical.

Policy framework for CSR in India: The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business Voluntary CSR guidelines create a common standard for how companies can improve their CSR efforts, especially with regard to sustainability. The adoption of a common set of a standard creates an expectation that companies will strive to meet the guidelines, and can create peer and public pressure for companies failing to comply. In this regard, the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business, have been laid down by the Ministry of Corporate Affairs in order to provide companies with guidance in dealing with the expectation of inclusive growth and imperatives of climate change, while working closely within the framework of national aspirations and policies. These are applicable to all businesses irrespective of size, sector or location. The NVGs were designed with the intent of assisting enterprises to become responsible entities whereby they formulate their financial or business objectives while considering the impact on various diverse stakeholders including society and environment at large. The nine principles of National Voluntary Guidelines are:

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their Lifecycle.

Principle 3: Businesses should promote the wellbeing of all employees.

Principle 4: Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Businesses should respect, protect, and make efforts to restore the environment.

Principle 7: Businesses, when in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Issues and Challenges of CSR:

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 changes

named as social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include:

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.

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

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.

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.

Competitive Labor Markets Employees are increasingly looking beyond pay checks 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.

Supplier Relations As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that they 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.

These challenges are listed below:

Lack of Community 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 International Conference on Technology and Business Management 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 asses 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 their capacities to undertake development projects at local levels.

Visible 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 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 hard to decide whether they should participate in such activities at all in medium and long run.

CSR in India: (CSR History)

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. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business.

India has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. 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.

In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. It 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 important change at the time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata company, Tata Iron and Steel Company was started the concepts of "Social Responsibility"

Model of CSR:

The 2001 State of Corporate Responsibility in India Poll, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

Ethical Model (1930-1950):

One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community.

The idea promoted 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.

Statist model (1950-1970s):

Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decide the corporate responsibilities.

Liberal Model (1970s-1990s): The model was encapsulated by Milton Friedman. As per the model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be to social ends.

Stakeholder Model (1990s-Present):

The model came into existence during 1990s as a consequence of realization that with growing economic profits, business also has certain societal roles to fulfill. The model expects companies to perform according to "triple bottom line" approach. The business are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework given below:

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K.Gandhi
Statist	State ownership and legal requirements determine Corporate Responsibility	Jawahar Lal Nehru
Liberal	Corporate responsibility limited to private owners (Shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders- customers, employees, communities, etc	R.Edward Freeman

Six Types of CSR Risks:

KPMG has identified six key types of risks companies face from social and environmental mega forces.

➢ **Physical:** Damage to assets and supply chains from physical impacts such as storms, floods, water shortage and sea level rise.

➢ **Regulatory:** Complex and rapid changes to the regulatory landscape.

➢ **Reputational:** Damage to corporate reputation from being seen to do the wrong thing.

➢ **Competitive:** Impacts of fast-changing market dynamics, and uncertainty of supply and price volatility of key inputs.

➢ **Social:** Conflicts, social unrest, community and worker protests, labour shortages, migration, etc.

➢ **Legal:** Exposure to potential legal action including, for example over nondisclosure of environmental, social and governance information.

CSR Risks Identified:

The analysis of 100 CSR reports shows that most companies are now linking sustainability mega forces impacts to competitive risk (45%) and physical risk (42%). Both these kind of risks in general relate to risks associated with the availability and accessibility to secure key resources (materials, energy & fuel, water etc.) which can severely impact business operations. However, discussion on action taken to mitigate risks generally are very limited or not reported with only 32percent of CSR reports clearly reporting on mitigation actions. The quantification of the financial impact of risks identified is almost nonexistent in CSR reports while 42 percent of CSR reports discuss financial impact, but have not quantified them.

Analysis of the Current Trends in CSR in India:

An analysis of the current trends in CSR in India, particularly how companies are managing CSR, their focus areas and how they are disclosing their CSR activities to the public. Our findings are based on research conducted using secondary literature review on information available in the public domain. To identify the trends of CSR activities in India as represented by those companies that is a part of the index. The reader is advised that research was based on publicly available information. The accuracy of which cannot be determined. The deliver category aims to identify the thematic areas that best describe the company's activities and their geographic focus. The research focused on understanding broad thematic areas such as education, health care, environment, livelihood, rural development and disaster relief as a focus of CSR initiatives. Furthermore efforts were made to understand specific areas/issues covered in each of these broad thematic areas covered by the companies include health, education, livelihoods, environment and rural development. Of these thematic areas, education is the most common and research indicates that 100% of the companies included in the research were found to have some initiatives on education followed by livelihoods and environment and then health care and rural development.

Average Scores of CSR Companies:

Following is the survey conducted by KPMG on CSR reporting in India. IT companies have the best quality reports in India while pharmaceuticals sector has lowest average score.

Average score of companies, when analyzed at sector level, reveals the IT sector (64) to have the best quality reports in India while the Pharmaceutical sector scores lowest (20) in terms of reporting quality. Representative of the best average scores, IT Sector Company attained the maximum score of seventy four (74), while an automotive parts manufacturing company got the lowest score of fourteen (14).

Top CSR Companies Spenders:

India's 10 most profitable companies will together spend Rs 2,625 crore on activities including promotion of commerce, art, science, sports, education, research, social welfare, religion, charity and protection of the environment. The spending will, preferably, have to be in the immediate vicinity of their businesses.

Cases of Corporate Social Responsibility (CSR) in India:

Case 1; Bharat Heavy Electricals Limited (BHEL):

BHEL has developed a CSR scheme and its Mission Statement on CSR is "Be a Committed Corporate Citizen, alive towards its Corporate Social Responsibility". BHEL's contributions towards Corporate Social Responsibility till date include adoption of villages, free medical camps / charitable dispensaries, schools for the underprivileged and handicapped children, ban on child labour, disaster / natural calamity aid, Employment for handicapped, widow resettlement, Employment for Ex-serviceman, irrigation using treated sewage, pollution checking camps, plantation of millions of trees, energy saving and conservation of natural resources through environmental management.

BHEL provides financial assistance to various NGOs /Trusts / Social Welfare Societies that are engaged in social welfare activities throughout the country.

56 villages having 80,000 inhabitants have been adopted. BHEL shares the growing concern on issues related to Environment and Occupational Health & Safety (OHS), and is committed to protecting Environment in and around its own establishment, and to providing safe and healthy environment to all its employees. For fulfilling these obligations, a Health, Safety & Environmental policy has been formulated and implemented through management systems. It has also received Prestigious Golden Peacock Award for Occupational Health & Safety 2010.

Case 2; Steel Authority of India Limited (SAIL):

SAIL won PSE Excellence Award – 2013 for CSR & Sustainability in Mahartna & Navratna category at New Delhi on December 16, 2013. SAIL recognizes that its business activities have direct and indirect impact on the society. It strives to integrate its business values and operations in an ethical and transparent manner to demonstrate its commitment to sustainable development and to meet the interests of its stakeholders. SAIL is pioneer in implementing CSR initiatives towards community growth and development, Education, health, income generation and sustainable development play a key role in SAIL's CSR initiatives.

On the health front, SAIL has established super- specialty hospitals and primary health center's to provide specialized and basic healthcare to people living in the vicinity of its Plants & Units. Sail owns, maintains and supports several schools in its steel townships to provide modern education to children. SAIL has provided access to lakhs of people across villages in its peripheries by constructing and repairing of roads. It has provided access to water infrastructure to people living in far-flung areas by installing water sources, thereby providing drinking water access to people over the years. In order to bridge the disparity between rural and social infrastructure, many villages have been identified in 8 states as "Model Steel Villages" for holistic development.

Suggestions & Recommendations:

The above discussion paves way for the following recommendations for an effective corporate Social Responsibility:

- It is found there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective.

- It is noted that only medium and large corporate houses are involved in CSR activities, that too in selected geographical areas. This issue builds a case for more companies to be brought under the CSR domain.

- It is found that corporate houses and non-governmental organizations should actively consider pooling their resources and building synergies to implement best CSR practices to scale up projects and innovate new ones to reach out to more beneficiaries.

- It is found that many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facilities and services.

- While focusing on urban areas, it is recommended that companies should also actively consider their interventions in rural areas on education, health, girl child and child labor as this will directly benefit rural people.

Conclusion:

Corporate Social Responsibility came a long way from just fulfilling the responsibility restricted to welfare of its immediate employees and their families. Indian business has long been associated with charity and philanthropy. Today, companies are better aware about efficient use of available resources; their environmental responsibility; their commitment to the society and mother earth at large. As a result, business now enjoy benefits like lesser government and regulatory pressure, highly motivated workforce, customer loyalty, enhanced brand image, value-based supplier network and a favorable public opinion about company. In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. It has also been found that to a growing degree companies that pay genuine attention to the principle 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 analysis of 100 CSR reports shows that most companies are now linking sustainability mega forces impacts to competitive risk (45%) and physical risk (42%). An analysis of the current trends in CSR in India, the category aims to identify the thematic areas that best describe the company's activities and their research indicates that 100% of the companies included in the research were found to have some initiatives on education followed by livelihoods and environment and then health care and rural development.

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