

## THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY: CHALLENGES AND OPPORTUNITIES IN INDIA

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### Abstract

As India rides the wave of commercial success, corporate social responsibility is presenting itself both as an opportunity and an important requirement. Corporate Social Responsibility is one of the initial and key conceptions in the academic study of business and has prominent impact in the Indian social psyche towards betterment of the standard of life. Today, IT sector has been of the booming sectors of the Indian economy and there is no doubt that Companies like Microsoft, Infosys, TCS etc., has played a major role in achieving sustainable livelihoods mission. Companies which aspire to be, or are, leaders in corporate social responsibility are challenged by rising public expectations, increasing innovation, continuous quality improvement and heightened social and environmental problems. Corporate executives must find new ways to address the social, economic, and environmental effects by emphasizing the alignment of CSR with business strategy. In the current social situation in India, to bring about changes, effective partnerships between corporates, NGOs and the Government are needed for betterment of the corporate sectors to accomplish their goals with minimum challenges and for better business Opportunities. This paper focuses on challenges and Opportunities to the meadow of business administration in relation to CSR.

**Keywords:** Corporate Social Responsibility, Social Economic and Environmental effects, Challenges and opportunities, CSR.

### 1. Introduction

Both the prevalence of digital communication and the globalization of business supply chains have dramatically changed the way business is conducted and the way information about corporate practices is disseminated. Managing the social, environmental and economic impacts of supply chains has become essential for international business. Corporate Social Responsibility is the integration of social and environmental factors into corporate decision-making. It manages business processes to produce an overall positive effect on society extends beyond a company's basic obligation to comply with law and work to increase profits. CSR is a container concept which encompasses many different ecological, social and economic issues. Varieties of terms are used, sometimes interchangeably, to refer to corporate social responsibility: business ethics, corporate citizenship, corporate accountability, sustainability. Fundamentally, they all describe companies' efforts to address ethical practices, employee-friendly policies, environmental impact, governance within the core functions of the business. CSR has several strategic implications. The first is that CSR can be an integral element of a firm's business and corporate-level differentiation strategies. So, it should be considered as a form of strategic investment. A second strategic implication of the firm's perspective is that one can generate a set of predictions regarding patterns of investment in CSR across firms and industries. Corporate social responsibility (CSR) provides an intelligent way to combine economically viable development, and conservation of natural resources. Customers and consumers, investors, employees, the authorities, business partners, non-governmental organizations and other stakeholders now demand that

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companies take responsibility for the consequences of their actions. Rapid change is the only constant in today's business environment. Today, CSR has expanded beyond directly-impacted communities to include a more global view of the environment and community. A company's performance in sustainability matters has a material impact on its prospects for long-term commercial success. CSR sees environmental and social trends as opportunities for growth and competitive advantage. Employees, especially highly skilled ones, increasingly want to work for a company that cares for their well-being and that have a good image in society. A growing number of companies participate, make progress, show good financial results and become ever more convinced of the benefits of CSR for all stakeholders, including shareholders. CSR is commonly viewed in terms of 'stakeholder relations'. Stakeholders are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively.

## **2. Corporate Social Responsibility**

Corporate Social Responsibility is defined as operating a business that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Corporate Social Responsibility is one such niche area of Corporate Behavior and Governance that needs to get aggressively addressed and implemented tactfully in the organizations. At the same time CSR is one such effective tool that synergizes the efforts of Corporate and the social sector agencies towards sustainable growth and development of societal objectives at large. India is a fast growing economy and is booming with national and multinational firms. At the same time, the Indian land also faces social challenges like poverty, population growth, corruption, illiteracy just to name a few. It is more imperative for the Indian companies to be sensitized to CSR in the right perspective in order to facilitate and create an enabling environment for equitable partnership between the civil society and business.

### **2.1 Why do we need CSR?**

The ongoing revolution in communication technology and the effectiveness of knowledge-based economies has created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability and the New Economy framework, with an unprecedented stress on communication and image merchandising, have paved the way for a new generation of business leaders concerned about the responses of the community and the sustainability of the environment. There are three emerging perspectives that inform corporate social responsibility: One, a business perspective that recognizes the importance of 'reputation capital' for capturing and sustaining markets. Corporate social responsibility is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stake-holders into confidence. The second is an eco-social perspective. The proponents of this perspective are the new generation of corporations and the new-economy entrepreneurs who created a tremendous amount of wealth in a relatively short span of time. They recognize the fact that social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run. There is a third and growing perspective that shapes the new principles and practice of corporate social responsibility. This perspective stresses that consumers, employees, affected communities and shareholders have a right to know about corporations and their business.

### **2.2 What are the benefits of adopting CSR?**

With the world of business being as competitive as ever, it's important to stand out from the crowd. Suppliers have to work harder to win contracts, so developing a CSR policy is a way of demonstrating your integrity, which can only reflect well on your customers. In fact,

some customers don't just prefer working with responsible companies, they demand it! This is particularly prevalent in the public sector, which is expected to set the standard. Government has set out its ambitions for Corporate Social Responsibility already. CSR should not be viewed as a drain on resources, because carefully implemented CSR policies can help your organization:

- Win new business and Increase customer retention.
- Provide access to investment and funding opportunities.
- Generate positive publicity, media opportunities
- Save money on energy and operating costs and manage risk.
- Develop and enhance relationships with customers, suppliers and networks.

### **2.3 The importance of Corporate Responsibility**

CR was now a “central” or “important” consideration in investment decisions. The three most important aspects of CR are: ethical behavior of staff, good corporate governance, and transparency of corporate dealings. CR practices could help a company's bottom line. Brand enhancement and better staff morale were picked by both groups as the most important business benefits of CR. CSR is important because businesses are based on trust and foresight. Establishing and keeping trust with customers, communities and regulators isn't simple and can be easily damaged or lost. To be successful in the long-term, companies need to think beyond what's affecting them today to what's going to happen tomorrow.

### **2.4 Why Organizations Engage in Corporate Social Responsibility?**

Corporate ethics has become the supreme demand in all business undertakings, from the boardrooms of the world's biggest firm to the classrooms in business schools and colleges the world over. Ethical considerations and demands for preserving the environment will have an even greater future influence on the demand for companies' products and services. The world's biggest companies are already being faced with growing formal demands to preserve the environment. As a result Social responsibility in business is related to the obligation of companies and other business organizations to increase their positive influence and reduce their negative activity toward society. One of the most significant principles on which modern business is based is that of an organization based on responsibility. Organizations must take responsibility for their role in society. An organization based on responsibility means that all the members of the organization must comprehensively review and consider all their tasked achievements and contributions, and take responsibility for both. Corporate social responsibility represents one of the pillars of an organization's business excellence and satisfying user demands and improving business productivity.

### **3. Corporate Social Responsibility in India and its Eminence**

CSR is not a new concept in India. Corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. 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. Corporate have Social Responsibility targets to help improve community living. In India, though the corporates understand their accountability towards the society and are willing to take initiatives for the betterment, it becomes difficult for them to reach the grassroot level. Industries, NGOs thus joins hands with the corporates to help them advance their welfare initiatives to the needy families and save on their time and human resources. With Corporate Social Responsibility in India having acquired a new dimension in the recent years, more and more companies are increasingly realizing that it is a good hearted investment, which brings

manifold benefits to the company. Thus, all CSR activities are being designed in alignment with the corporate business strategies. It is laid on the realization of a group of young corporate professionals that it is their social responsibility to give back to the society. Achieve your Business Social Responsibility Goals:

- Support some of our programs and social service initiatives.
- Adopt a child, family, school, or a village to meet you social responsibility.
- Corporates can sponsor a vocation training program through our ‘Sponsor a Skill’ drive.

The Indian government has been trying to make it mandatory for companies to spend at least 2% of net profits on CSR. Business experts have repeatedly expressed the personal view that CSR should be compulsory.

#### **4. Challenges of Corporate Social Responsibility in India**

Corporate social responsibility is not a new concept in India. However, what is new is the shift in focus from making profits to meeting societal challenges. It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies’ decisions-making in this direction. It has become imperative to incorporate stakeholders’ views. In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absence of training and undeveloped staff is additional problems for reduced CSR initiatives. There are number of challenges to the implementation of CSR. They are enumerated below:

##### **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.

##### **Vital To Shape 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.

##### **Subjects of Transparency**

Lack of transparency is one of the key challenges 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 key to the success of any CSR initiative.

##### **Non-Availability of Well Organized Non-Governmental Organizations**

There is non-availability of well-organized non-governmental 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.

### **Non-Availability of Clear CSR Guidelines**

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.

### **5. Future of Corporate Social Responsibility**

All of us, who live in society, owe some responsibility towards it. Corporate, which operates in society and make profits from investments, owe a greater responsibility to it. The Indian economy has been growing fast in recent years. So are the corporates in terms of business turn over and profit. However, there are concerns about sustaining this growth on account of environmental and social factors. While the environmental dimensions are opening up somewhat slowly, the social impacts have been sudden. In a multi-party, developing, democracy, the development process is often slow due to various constraints which affect the delivery mechanism. The choice before business and the civil society today is either to join in sharing this responsibility or to suffer as a mute spectator. In a developing country, the responsibility of business towards the society needs to be seen from a wider context and this has four dimensions:-

- Compliance with the law and statutory provisions in letter and spirit.
- Exploring Business at the Bottom of the Pyramid for helping the poor as well as enriching the business.
- Forming strategic partnership with the stakeholders.
- Taking care of people other than potential consumers.

It is encouraging that Indian business has appreciated the need of the changing times, with most of the companies talking about CSR, some having a CSR policy and a few mobilizing employees. In India, some public sector companies can spend up to 5% of their profits on CSR activities. In India, CSR has evolved to encompass employees, customers, stakeholders and notions of sustainable development or corporate citizenship. In transnational 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.

#### **5.1 CSR in India**

Environmental protection and the country's comparatively demanding social legislation have always been key drivers of continuous improvement processes at Indian companies. These processes focus on the requirements of stakeholders and legislators alike. As a consequence most Indian companies already have the foundations for implementing a comprehensive CSR concept in place and indeed many have already made exemplary progress. The environmental management systems already established give companies an ideal platform from which to take up the CSR approach and integrate it into their corporate strategy. Grabbing this opportunity offers a chance to stand out in the competitive international marketplace.

#### **5.2 Areas of action for companies**

The eventual purpose of a corporate CSR policy is to grow innovative, economically viable and protective solutions within core business processes to improve environmental protection and working conditions. In order to satisfy the expectations of society and to be truly reliable the company-specific CSR policy must cover all areas and functions of the

company. Strategic consideration of the societal role of companies can facilitate and simplify the essential enhancements to core business processes. CSR consists of:

- Operational environmental protection.
- Taking account of employee interests.
- Addressing environmental protection.
- Humane working conditions in the supply chain and Consumer protection.

### **5.3 CSR acts as philanthropy**

Many large companies enter into CSR through acts of philanthropy including, for example, Bill Gates or Warren Buffet. Often, for such companies, the tax advantages are attractive or it may merely be a clever way to retain control of resources. India has been a major beneficiary from the Gates Foundation, particularly in health care. From the perspective of the employee, CSR has been hugely important in India. From the perspective of stakeholders in the community, the bigger the company the greater the effort should be to protect the employees or the environment.

### **5.4 People, planet and profit — Three Ps of corporate social responsibility**

The triple bottom line also known as "people, planet, profit" (or the three pillars) captures an expanded spectrum of values and criteria for measuring organizational, societal success, economic and ecological. The triple bottom line is made up of "social, economic and environmental". "People, planet and profit pillars describe the triple bottom lines and the goal of sustainability".

"People" pertains to fair and beneficial business practices toward labor and the community and region in which a corporation conducts its business. A triple bottom line company conceives a reciprocal social structure in which the well-being of corporate, labor and other stakeholder interests are interdependent. Triple Bottom Line business would not use child labour and monitor all contracted companies for child labour exploitation, would pay fair salaries to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labour force. A TBL business also typically seeks to "give back" by contributing to the strength and growth of its community with such things as health care and education.

"Planet" i.e. natural capital refers to sustainable environmental practices. A Triple Bottom Line company endeavors to benefit the natural order as much as possible or at the least do no harm and curtail environmental impact. It endeavor reduces its ecological footprint by, among other things, carefully managing its consumption of energy and non-renewables and reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner. Environmental sustainability is the more profitable course for a business in the long run.

"Profit" is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up. It therefore differs from traditional accounting definitions of profit. Within a sustainability framework, the "profit" aspect needs to be seen as the real economic benefit enjoyed by the host society. It is the real economic impact the organization has on its economic environment. An original Triple Bottom Line approach cannot be interpreted as simply traditional corporate accounting profit plus social and environmental impacts unless the "profits" of other entities are included as a social benefits.

### **5.5 ITC's CSR practice**

ITC is well known reputed company known for its significant CSR practices. ITC is rated among the World's Best Big Companies, the World's Most Reputable Companies by Forbes magazine, among India's Most Respected Companies by Business World and among

India's Most Valuable Companies by Business Today. ITC is widely perceived to be dedicatedly nation-oriented. As India's 'kissan' Company, ITC has taken care to involve farmers in the designing and management of the entire initiative. The active participation of farmers in this rural initiative has created a sense of ownership in the project among the farmers. This enthusiastic response from farmers has encouraged ITC to plan for the extension. Another path-breaking initiative brings the benefits of agricultural best practices to small and marginal farmers. Backed by intensive research and knowledge, this initiative provides Agri-extension services which are qualitatively superior and involves pro-active handholding of farmers to ensure productivity gains. The services are customized to meet local conditions.

### **5.6 Current Opportunities in India and in Developing countries**

At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organizations. At the other end, it can be a way of doing business that has significant impact on society. For this latter vision to be enacted in India, it will be necessary to build CSR into a movement. Public and private organizations will need to come together to set standards, share best practices, jointly promote CSR, and pool resources where useful. An alliance of interested stakeholders will be able to take collective action to establish CSR as an integral part of doing business.

### **5.7 Future Social Trends in India**

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## **6. Conclusion**

In today's informative world where information is readily available to general public CSR has been an important part of any organization to be successful. Organization in present world cannot be successful without taking into account the social responsibility. CSR has been a vital component for any organization to have perpetual success and to create brand. The concept of corporate social responsibility is now firmly rooted on the global business agenda. 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. Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

**Company Benefits:** Enhanced financial performance; improved brand image and status; and access to capital and inferior operating costs.

**Benefits to the Community, General Public and the environment:** Charitable contributions; corporate participation in community education, employment; and better material recyclability and Superior use of renewable resources.

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