VI– INDIA ISSUES & CHALLENGES

Corporate Social Responsibility

वसुधैव कुटुम्बकम

Series : Rise

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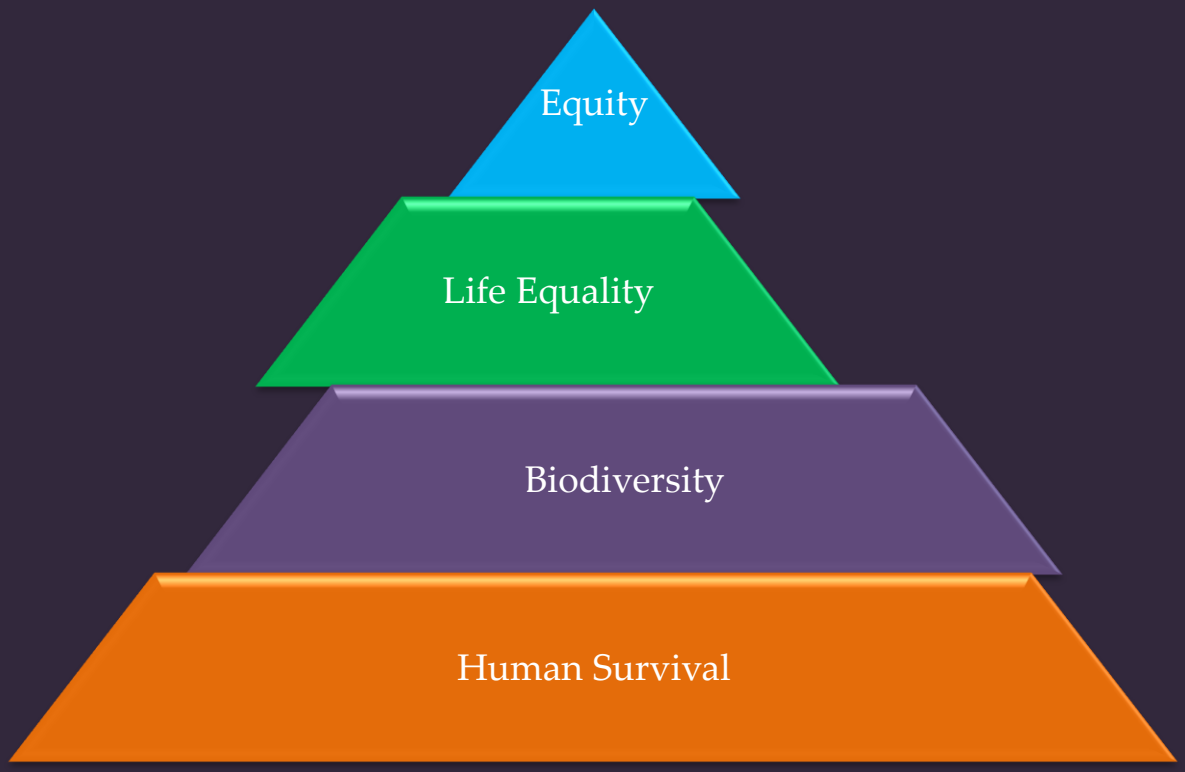
India & Role of CSR



India in 21st century moving with great pace in economics, trade, industry, agriculture, education, infrastructures and science, we are now exporting country without taking loans and grants from international agencies or country, this is one face of development on the other side India still striving with population pressure, poverty, hunger, health, quality education, inequality & gender equality, potable water, clean environment and many more.

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As the country endeavor to occupy an important position in the world. The 21st century gave business an effective tool i.e. “CSR” for sustainable business and as an opportunity to give back to society & make a better planet. Mandatory "CSR" in India provide a defined framework with clear objectives to make the Nation strong, recognizing the managerial efficiency and effectiveness of program implementation.

Companies have to target those sectors where people are unable to get the bare minimum basic livelihood and infrastructure in the country. Adaptation of inclusive development process as business practice and with increasing awareness of this gap between “**the haves and have-nots”,** societal expectations will be on the higher side from the corporate sector.

Irrespective of the caste, creed, gender, worker, professional, economic level, Government or Corporate all should come together to make INDIA shining by endeavoring to remove sufferings.

Many companies have been aware of this development, and have responded proactively while others have done so only when pushed. Governments as well as regulators have responded to this unrest and first National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business and then a new Act enacted by Indian parliament in 2013, replacing more than six decade old Company Act including compulsory CSR in section 135 to bring Corporate to contribute in National inclusive growth.

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Some estimates indicate that CSR commitments from companies can amount to as much as 20,000 crore INR. To me this act does not pressure to company, rather it gives direction to make them prepared for futures of sustainable business. This combination of regulatory as well as societal pressure has meant that, companies have to pursue their CSR activities more professionally. More structured practices for companies and grant-making foundations so as to assist companies pursue their CSR activities effectively, while remaining aligned with the requirements of the Companies Act, 2013.

TATA, ITC, Birla and many more companies are practicing the Corporate Social Responsibility (CSR) for decades, more than regulatory expectations long before CSR become a popular basis. CSR is in infancy in India with lack of understanding, inadequately trained personnel, coverage etc.

Corporate can create a great impact on their internal stakeholders and also support societal initiatives. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country.

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As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. Time has come when CSO, NGO Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. In India, CSR needs to identify core issues and align them to company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results.

CSR cannot be viewed simply as a collection of good citizenship activities; it should be the business culture that has significant impact on society. India needs this vision to be enacted in to build CSR into a movement. The public and private organizations will need to come together to set standards, share best practices, jointly promote CSR and use the resources in Nation building.

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms.

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India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. Although corporate India is involved in CSR activities, the central government is working on a framework for quantifying the CSR initiatives of companies to promote them further.

Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits.

"Sustainable development implies optimizing financial position while not depleting social and environmental aspects and according to Companies Act, CSR implies supporting issues related to children, women, hunger, poverty, rural development and environment".

Now 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. India has become one of the countries where CSR is mandatory.

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These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. A handful corporate houses are dedicated and practicing the CSR as they are dictated by the very basis of their existence.

It is observed that many companies are promoting their CSR activities and uses it as a tool for Marketing. This denotes that the companies are far from perfect as their emphasis is not on social good but as a promotion policy.

A CSR strategy that is focused on avoiding regulatory liability and maintaining a license to operate in the current business will neither lead to current competitive advantage nor an imagination of future business models.

In order to leverage its CSR/sustainability strategy for competitive advantage, an organization needs the advanced capabilities of organizational learning and sustainable innovation. These two capabilities are critical for building sustainable business models that will lead to future sustained competitive advantage.

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CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life.

In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

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Issues & Challenges

- **Misunderstandings of Corporate :** Many companies think that CSR is a peripheral issue for their business and customer satisfaction is more important for them, but they fail to point out on important changes that are taking place worldwide, which are critical to their business.

- **The Shrinking Role of Government : I**n 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 regulatory initiatives.

- **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. Consumer Protection Act is there for protecting consumer's interest, also it can cause major loss i.e. is the loss of reputation & Brand image.

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- **Growing Investor Pressure:-**Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. A separate survey by Environomics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks so is with 'Banking and investment' sectors.

- **Competitive Labor 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.

- **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. In India, over time, the expectations of the public has grown enormously with demands focusing on poverty alleviation, tackling unemployment, fighting inequality or forcing companies to take affirmative action.

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After the Second World War, a variety of national and international regulations arose through bodies such as the International Labor Organization (ILO) emphasizing the need for an active social policy, This additional driver, international institutions, has relevance for India through the work of the ILO, the OECD, Socially Responsible Investment (SRI), the SA8000 Social Accountability scheme and through the work of the UN Commission on Human Rights which tackled the human rights responsibilities.

In India, some public sector companies even spend more than mandatory percentage of their profits on CSR activities. Pressure groups have been quite successful in inducing companies to fund CSR schemes.

The survey conducted by Times of India group on CSR used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally 82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. Only 33 per cent of the sample size given the facts.

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- **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. 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.

- **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.

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- **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.

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

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Recommendations

In order to crystal gaze the future of CSR in India and for understanding of issues at the ground level it is necessary :

- ✓ Effective *Operationalization* to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

- ✓ It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. Thus, the social justice agenda of the day would be fulfilled more meaningfully.

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- ✓ It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain. This scenario often creates barriers in implementing CSR initiatives. Appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies.

- ✓ There is requirement of monitoring agency in an advisory capacity, so that CSR reach out to other locations and cover a large number of communities and help companies play a valuable role in addressing various social and development issues. This approach will help CSR get ingrained into the DNA of core business activities of companies.

- ✓ In place of individual approach, 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 approaches to reach out to more beneficiaries. This will increase the impact of their initiatives on the lives of the common people. After all, both corporate houses and non-governmental organizations stand to serve the people through their respective projects and initiatives.

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- ✓ CSR initiatives and programs should go to rural area more from urban areas and localities to cater the need of needy and the poor in the rural areas. It does not mean that there are no poor and needy in urban India but after all, more than 70 per cent people still reside in rural India.

- ✓ Government should continue rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged as easy grant of 12A, 80G and Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects.

- ✓ CSR as a subject or discipline should be made compulsory at business schools and in colleges and universities to sensitize students about social and development issues and the role of CSR in helping corporate houses strike a judicious balance between their business and societal concerns. Such an approach will encourage and motivate young minds, prepare them face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor.

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- ✓ Using CSR to implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment, to mention a few. In many such contexts, it's noticed that companies end up duplicating each others' efforts on similar projects in the same geographical locations.

- ✓ Partnerships between the Government and other interest groups have been well defined in policy documents at all levels, needs to be practiced at ground level.

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Conclusion

CSR is now compulsory challenge that needs to be implemented and put into the DNA of corporate business culture, each initiative for everyone should not be free of cost, corporate being the most expert entity of management needs to innovate some system which fulfills the stakeholder's expectation, regulatory compliances as well keep their initiatives free from notion of charity & all its earning must be re invested in the CSR projects.

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SNPL's social development team

The social development team at SNPL advises clients on the impact that the social development environment may have on their businesses, combining vision, policy and mandate with data analytics to help them develop their strategies for sustainable development and better SROI.

With the social environment expected to remain diverse and at large, risks as well as opportunities to integrate business with inclusive holistic growth of society. At the same time, organizations can benefit themselves by benefitting society, adhering ethics, social policy, regulations and socio economic development with an aim to contribute society, nation and ultimately the world.

The Sociostark team helps clients to identify risks and opportunities in their current and future social development investment for better SROI.

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