**PREREQUISITES FOR THE SUCCESS OF CSR IN INDIA – A CASE ANALYSIS**\*

“***What corporations do to society is far more important than what corporations can do for society”   -Peter Druker***

The Sanskrit saying, ‘Atithi Devo Bhav’, means—‘the one who comes to you for being served, should be taken to be as God’, is considered as the highest order of responsibility, be it to

individuals or the society. Thus, the phrase Social Responsibility has its roots in Indian context.

Corporate Social Responsibility (CSR) is a term describing a company’s obligation to be accountable to all of its stakeholders in all its operations and activities. The Companies Act, 1956 is replaced with The Companies Act, 2013 and 'corporate social responsibilities' (CSR) has been made mandatory for a particular class of companies. There has to be an all inclusive growth of the society with the growth of the companies. Perhaps keeping this in mind, Indian law makers brought this law. In this paper CSR practices followed by different companies have been studied to understand the issues and challenges ahead. This paper try to analyze the study of CSR status in India, this can give insight to what extent companies can follow the CSR. The main focuses on the issue and challenges faced by its activities in India

**Companies Need to Answer Two Aspects of Their Operations.**

1. The quality of their management – both in terms of people and processes (the inner circle).
2. The nature of and quantity of their impact on society in the various areas. (the outer circle)

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The reason that the firms should put their heart and soul while carrying out CSR activities is that humanity finds itself in the second decade of the 21st century and taking into considerations of all the political, economic, social, and environmental problems that the humans are facing, corporations have a serious responsibility of playing their role in contributing to the well-being of mankind and society

***CSR: OPINIONS OF VARIOUS INDIAN LEADERS & CORPORATE***

***Dr. Abdul Kalam,*** *former President of India (2012): Sustainable development refers to a mode of human development in which resource use aims to meet human needs while preserving the environment so that these needs can be meet not only in present, but also for the generations to come.*

***Azim Premji,*** *Chairman of Wipro limited, (1998): Corporate Social Responsibility aims at fundamental social development. In Indian context, it means an attempt to realize the vision of just, humane and equitable society and where every action, however small, is driven by this larger vision, that is real social action.*

***Ratan. J. Tata,*** *Chairman, Tata Group: The developing world has two options. The first is to sit back and react when problem arises. The second is to act as a conscious citizen and rise above our vested interest for the sake of future generation, so that the history does not records that we have deprived them of their livelihood.*

***Narayana Murthy,*** *Infosys Founder (2012): social responsibility is to create maximum shareholder value working under the circumstances, where it is fair to all the stakeholders, workers, consumers, community, government and the environment.*

In recent times, Corporate Social Responsibility has been considered vital for the success of any firm. The 2015 Cone Communications/Ebiquity Global CSR study found that a staggering **91%** of global consumers expect businesses to operate responsibly to address social and environmental issues. Furthermore, **84%** say they seek out responsible products wherever possible. Above stats show that the consumer is getting more aware of the CSR with each passing day and they tend to buy products only from those businesses that follow ethical rules. Since, CSR depicts that a corporate follows ethics and thus cares about the society, rather than just minting profits. This helps in attracting customers who share the same values and interests

**INDUSTRY COVERAGE** Many of the corporate pledging for responsible business have been carrying out CSR activities for last several years, however many new companies will now fall under the ambit The Companies Act 2013 resulting in huge spending on CSR activities. It is therefore, imperative to develop effective and need based CSR activities so that such large investment yields intended results. This also poses several challenges for the corporate who so far were not actively involved in CSR.

**INDUSTRY CHALLENGES** Companies would need to develop effective CSR Strategies that are aligned with business objectives and create direct and indirect benefits for the companies such as brand visibility for companies, long term community relations and employee retention. Companies shall encounter challenges within or outside the industry and those shall include:

**a) CAPACITY BUILDING Companies** do not have trained manpower and technical know-how to develop effective CSR strategies. Capacity building is required in terms of training organizations to develop effective CSR Policy and Strategies. CSR expenditure is directly linked to CSR policy thus it is imperative that effective and need based CSR policy is made so that CSR expenditure yields intended results..

**b) CSR ASSURANCE** CSR assurance is required to ensure credibility and transparency in reported CSR information and it help repose faith of stakeholders.CSR assurance also results in improvement of internal reporting system which will strengthen future reports.

## ****Examples of CSR in India****

### ****Tata Group****

The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it has engaged in women empowerment activities, income generation, rural community development, and other social welfare programs. In the field of education, the Tata Group provides scholarships and endowments for numerous institutions. The group also engages in healthcare projects, such as the facilitation of child education, immunization, and creation of awareness of AIDS. Other areas include economic empowerment through agriculture programs, environment protection, providing sports scholarships, and infrastructure development, such as hospitals, research centers, educational institutions, sports academy, and cultural centers.

### ****Ultratech Cement****

Ultratech Cement, India’s biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programs, education, infrastructure, environment, social welfare, and sustainable livelihood. The company has organized medical camps, immunization programs, sanitization programs, school enrollment, plantation drives, water conservation programs, industrial training, and organic farming programs.

### ****Mahindra & Mahindra****

Indian automobile manufacturer Mahindra & Mahindra (M&M) established the K. C. Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company primarily focuses on education programs to assist economically and socially disadvantaged communities. Its CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs. M&M runs programs such as Nanhi Kali focusing on education for girls, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas.

### ****ITC Group****

ITC Group, a conglomerate with business interests across hotels, FMCG, agriculture, IT, and packaging sectors has been focusing on creating sustainable livelihood and environment protection programs. The company has been able to generate sustainable livelihood opportunities for six million people through its CSR activities. Their e-Choupal program, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers. It’s social and farm forestry program assists farmers in converting wasteland to pulpwood plantations. Social empowerment programs through micro-enterprises or loans have created sustainable livelihoods for over 40,000 rural women.

## Companies Act 2013

Considering the importance of CSR, the new companies law, enacted on 29th Aug. 2013 has introduced various new provisions. Among those, one is CSR i.e. Corporate Social Responsibility. Sec. 135[8] of the Act provides obligation for every company having the net worth of rupees five hundred crores or more, or turnover of rupees one thousand crores or more, or net profit of rupees five crores or more during any financial year shall constitute a Corporate Social Responsibility committee. As per the provision, the companies covered under it shall spend at least two per cent of its average net profits made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. There are various activities that have been provided in the Act, that the companies can undertake in lieu of Corporate Social Responsibility.

## Activities for CSR Expenditure

**Schedule VII**mandates expenditure for the following activity-

1. **Eradicating hunger,** poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water,
2. Promoting **education**, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
3. **Promoting gender equality**, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, daycare centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward.
4. **Ensuring environmental sustainability**, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining the quality of soil, air and water.
5. **Protection of national** **heritage**, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts.
6. Measures for the benefit of armed forces veterans, war widows and their dependents.
7. Training to **promote rural sports**, nationally recognised sports, Para-Olympic sports and Olympic sports.
8. Contribution to the **Prime Minister’s National Relief Fund** or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
9. Contributions or **funds provided to technology incubators** located within academic institutions which are approved by the Central Government.
10. **Rural development projects.**
11. **Slum Area Development**

## Composition of CSR Committee

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| --- | --- |
| **Type of Company** | **Composition** |
| Listed | **–**Three or more Director, including at least one Independent Director. |
| Unlisted & Private | **–**Three or more Director, Independent Director is mandatorily required to be appointed. |

### Measurement Items

From reviewing the extant literature on CSR, 27 measurement items were developed to operationalise the identified barriers and CSR implementation. The measurement items and their sources are presented in [Table 1](https://www.sciencedirect.com/science/article/pii/S2092521216300062#tbl0005) with a case example of a shipping company in general.

TABLE 1. **Measurement items of CSR in Shipping Company**

| **Constructs** | **Measurement Items** | | **Sources** | |
| --- | --- | --- | --- | --- |
| **Lack of resources (LOR)** | X1. We do not have sufficient financial resources  for CSR implementation X2. We do not have enough knowledge about CSR  implementation X3. We do not have the relevant expertise for CSR  implementation X4. We do not have adequate training for CSR  implementation X5. We feel that CSR implementation is too  time-consuming and costly | [Laudal (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0195)  [Arevalo and](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0025)  [Aravind (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0025)  [Faisal (2010)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0105)  Alemagi et al. (2006)  [Skouloudis et al. (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0270) | |
| **Lack of strategic vision (LOS)** | X6. Our top management does not support CSR implementation X7. We feel that there are no significant benefits for our company to implement CSR X8. We associate CSR with unavoidable expenses X9. We have more important priorities for the company rather than implementing CSR X10. CSR is not incorporated into our company's vision and/or mission statement | | [Arevalo and Aravind (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0025)  [Faisal (2010)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0105)  Skouloudis et al. (2011) | |
| **Lack of measurement systems (LOM)** | X11. We are lacking metrics to quantify CSR benefits X12. We are lacking internal controls to monitor and enforce CSR X13. We are lacking benchmarking standards to compare our CSR performances X14. We are lacking knowledge and monitoring capacity on the market environment | | [Arevalo and Aravind (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0025)  [Laudal (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0195)  [Faisal (2010)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0105)  [Coady et al. (2013)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0060)  [Hargett and Williams (2009)](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0145) | |
| **Low willingness to pay for CSR (LWP)** | X15. We feel that shippers are primarily concerned with logistics performance such as cost and service level X16. We feel that shippers are not willing to pay for green or socially responsible services X17. We feel that shippers are not actively involved in CSR activities | | [Faisal (2010)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0105)  [Pruzan-Jorgensen and Farrag (2010)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0255)  [Fafaliou et al. (2006)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0100) | |
| **High regulation standards (HRS)** | X18. We feel that the standards set by existing regulations are high as compared to other industries X19. We are experiencing problems coping and complying with the regulations X20. We feel that existing regulations in shipping have adequately address issues pertaining to the public and the environment X21. We feel that existing regulations in shipping have adequately address issues on safety and security X22. We feel that existing regulations in shipping have adequately address the concerns about employees | | [Skouloudis et al. (2011)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0270)  [Fafaliou et al. (2006)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0100)  [Skovgaard (2012)](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0275) | |
| **CSR implementation** | Y1. My top management has long term plans to ensure financial sustainability of the company Y2. My company donates to charitable organisations Y3. My company provides full transparency of its activities, structure, financial situation, and performance to the public Y4. My company financially supports training and education for employees Y5. My company practices eco-friendly activities such as green ship designs, cleaner engine fuel, optimal vessel speed, electronic documentation, and environmental-friendly materials and equipment. | | [Shin and Thai (2014)](https://www.sciencedirect.com/science/article/pii/S2092521216300062#bib0265)  [Schreck (2009)](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0260)  [Lai, Lun, Wong, & Cheng (2013)](https://www.sciencedirect.com/science/article/pii/S2092521216300062" \l "bib0185) | |

**The Practical Implementation of CSR is faced with a lot of Issues and Challenges.**

1. Firstly, in the past, governments have relied on legislation and regulation to deliver social and environmental objectivesin the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to theexploration of voluntary and non-regulatory initiatives instead.
2. Secondly, 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.
3. Thirdly, 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.
4. Fourthly, 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.
5. Fifthly, 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.
6. Sixthly, 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.
7. Seventhly, 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.**
8. Eighthly, investors are changing the way they assess companies’ performance, and are making decisions based on criteriathat 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. and
9. Ninthly, 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.

## Conclusion

Corporate Social Responsibility has become an innate part of the working of Corporate in recent times. Though the concept of CSR was prevalent in India since antediluvian times, it is only, recently that the concept has picked favoritisms in the companies. A new urgency in the backdrop of heightened awareness has single-mindedly changed the focus of the firms on Corporate Social Responsibility. It is CSR only that helps the environment and society to be treated the way they should be treated i.e. with respect. Although, CSR, has really proved to be fruitful and beneficial but to say that it has totally achieved its objectives, would be to negate the truth. Much needs to be done on this staid and ‘self-imposed discipline’ issue. If we have a closer look to this picture, we will find that the situation is quite antonym and astounding as due to lack of proper enforcement mechanisms and efficient CSR policies, the success of CSR remains a distant dream. The government should comprehend that corporate play an important role in the development of a nation and thereby they should make proper policies for the same and should ensure that apart from bigger charities, small charity organizations also get their due recognition.

## Reference

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