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Corporate Social Responsibilities and Ethics of Business – Issues and Challenges in India

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Abstract- CSR and Ethics in business and government today are very important subjects. There are various reasons for businesses to operate in an ethical and socially responsible manner. There are government regulations, corporate belief systems, and basic common sense. There needs to be an overall intent to be ethical and socially responsible in today's business environment in order to stay successful. In India keeping this in view many big corporate houses like TATA, Mahindra & Mahindra Ltd and Birla started practicing the Corporate Social Responsibility (CSR) more than a decade ago. Now a day in India CSR is developing but not as much as in developed countries like America or China. Lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs. Large no. of companies are undertaking these activities superficially and promoting/ highlighting the activities in Media. The Main objective of this research paper is to study the various issues and challenges faced by CSR activities in India.

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I. INTRODUCTION

Corporate social responsibility (CSR) refers to business activities which benefit society. These activities are of three categories, denotes as the triple bottom line, which are social, environment, and economic.

Now a days , a growing number of academics as well as top executives have been allocating a considerable amount of time and resources to Corporate Social Responsibility (CSR) strategies – i.e. the voluntary integration of social and environmental concerns in their companies' operations and in their interaction with stakeholders (European Commission, 2001).

According to the UN Global Compact – Accenture CEO study¹ (2010), 93 percent of the 766 participant CEOs from all over the world declared CSR as an “important” or “very important” factor for their organizations' future success. On the demand side, consumers are becoming increasingly aware of the firms' CSR performance: a recent 5,000-people survey by Edelman revealed that nearly two thirds of those interviewed cited “transparent and honest business practices” as the most important driver of a firm's

reputation. So in this research paper a detailed study has been made on various issues & challenges faced by various CSR activities by corporate.

India become first country in the world to make CSR mandatory, by company Act 2009 following an amendment to The Company Act, 2013 in April 2014.

II. OBJECTIVES

The objective of this paper is mainly concerned with the following objectives.

- To understand the concept of CSR.
- To determine the challenges in execution of Corporate Social Responsibility.
- To examine role of Corporate Social Responsibility Practices in Business.

III. RESEARCH METHODOLOGY

Descriptive research design has been used to conduct this research. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study.

Secondary data was used for the research. Such as Different news articles, Books and Web.

IV. HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, *Strategic management: a stakeholder approach* in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Others argue CSR is merely Window – Dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful Multinational Corporations.

CSR is an aid to an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines

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ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL)

List of Top 10 Indian companies in CSR activities:

1. Tata Chemicals
2. Ambuja Cement
3. Infosys Ltd.
4. Mahindra & Mahindra Ltd.
5. Tata Motors Ltd.
6. Tata Power Company Ltd.
7. Bharat Petroleum Corporation
8. ITC Ltd.
9. Hindustan Zinc Ltd.
10. Indian Oil Corporation

Source: IIMU_CSR_REPORT_2018_OCT18_SINGLEPAGES.cdr

Few Global Corporate Initiatives related to CSR:

1. IKEA This Swedish company has taken step to support communities in crises, donating toys, by building schools, or facilitating access to drinking water. Most recently, the IKEA foundation has given \$2.3 million to bring clean electricity to a combined one million people in India and East Africa.
2. Organizations like Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, focus holistic development in the villages they have adopted. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills.
3. Tata Group focus on community improvement and poverty alleviation programs. It is engaged in women empowerment and rural community development. It also provides scholarships to students and endowments for various institutions.

The group is also engages in healthcare projects like facilitation of child education, immunization and creation of awareness of AIDS. Other areas include economic empowerment through agriculture programs, environment protection, providing sport scholarships, and infrastructure development such as hospitals, research centers, educational institutions, sports academy, and cultural centers.

4. Ultratech Cement: This company work for social causes in about 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.
5. The company has organized medical camps, immunization programs, sanitization programs, school enrollment, plantation drives, water conservation programs, industrial training, and organic farming programs.

6. Mahindra & Mahindra: This company focuses on educational programs for economically and social disadvantaged communities. The CRS activities of this company focus on scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs. It run programs such as NANHI KALI, MAHINDRA PRIDE SCHOOL, LIFELINE EXPRESS.
7. ITC Group: This company through CSR activities has been able to generate sustainable livelihood opportunities for 6 million people. ITC Group by their e-Choupal(connect rural farmers through internet for procuring agricultural products) program covered aground 40,000 villages and over four million farmers.
8. Bosch The Robert Bosch Stiftung Foundation become one of the largest and most active philanthropic organizations in the EU after donation of over \$100 million in 2017. Investing 50 percent of its R&D budget in technologies supporting conservation and environmental protection
9. Coca-Cola The Coca-Cola Foundation, from 1984, has donated more than \$820 million for women's empowerment, access to clean drinking water, and the development of disadvantaged youth. Every year, the company focus to give back one percent of its profits to communities around the world. In 2017, Coke gave \$250,000 to the American Indian College Fund for scholarships and community building for young Native Americans.
10. Levi's The company that made jeans a thing has made sure social responsibility is "sewn into the fabric" through initiatives like Water Less, which significantly reduces water use in manufacturing – by up to 96 percent for some styles. Since the campaign launched this program in 2011, Levi's has saved more than one billion liters of water. By 2020, the company expects to manufacture 80 percent of its products through this process, up from 25 percent today.

a) *Issues & Challenges of CSR*

Many companies think that business 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 companies fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as business responsibility which is an opportunity for the business.

Some of the driving forces which push business towards BSR include:

i. *Shrinking Role of Government*

In the past years, 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.

ii. *Demands for Greater Disclosure*

The growing demand for corporate disclosure from including customers, stakeholders, suppliers, employees, communities, investors, and activist organizations.

iii. *Increased Customer Interest*

There are so many 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.

iv. *Growing Investor Pressure*

Investors are getting aware about their rights. They 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 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.

v. *Competitive Labour 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.

vi. *Supplier Relations*

So many companies 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.

The historical driver of CSR has been philanthropy or a sense of ethics. 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 for transnational companies (TNC's). 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 of TNC's.

In India, some public sector companies can spend up to 5% of their profits on BSR activities.

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. The respondent organizations form a satisfactory percentage of 33 per cent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey.

The survey analysis responses from participating organizations about various challenges facing BSR initiatives in different parts of the country. On the basis of responses obtained from the organization following challenges has been listed:

- ❖ **Lack of Community Participation in CSR Activities:** Local community's shows lack of interest in participating and contributing to BSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about BSR within the local communities as no serious efforts have been made to spread awareness about BSR. There is also lack of communication between the company and the community at the grassroots.
- ❖ **Need to Build Local Capacities:** Capacity building of the local non-governmental organizations is required for effectively contribution to the ongoing BSR activities initiated by companies.
- ❖ **Issues of Transparency:** Lack of transparency is one of the key issues. 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 impacts the process of trust building between companies and local communities, which is a key to the success of any BSR initiative at the local level.
- ❖ **Non-availability of Well Organized Non-governmental Organizations:** The survey 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

BSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

- ❖ Visibility Factor: Media also play a good role in highlighting good cases of successful BSR initiatives. 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.
- ❖ Non-availability of Clear CSR Guidelines: There are no clear Government guidelines or policy directives to give a definitive direction to BSR initiatives of companies. It is found that the scale of BSR initiatives of companies should depend upon their business size and profile.

V. CONCLUSION

The concept of CORPORATE social responsibility is now rooted on the global business agenda. But there are many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Some of the Benefits of adopting the practice of CSR include:

- Company Benefits
 1. Improved financial performance;
 2. Lower operating costs;
 3. Enhanced brand image and reputation;
 4. Increased sales and customer loyalty;
 5. Greater productivity and quality;
 6. More ability to attract and retain employees;
 7. Reduced regulatory oversight;
 8. Access to capital;
 9. Workforce diversity;
 10. Product safety and decreased liability.
- Benefits to the Community and the General Public
 1. Charitable contributions;
 2. Employee volunteer programs;
 3. Corporate involvement in community education, employment and homelessness programs;
 4. Product safety and quality.
- Environmental Benefits
 1. Greater material recyclability;
 2. Better product durability and functionality;
 3. Greater use of renewable resources;
 4. Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

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