An Overview on Corporate Social Responsibility and Sustainable Development in India

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Abstract

Nowadays due to globalization, the concept of Corporate Social Responsibility (CSR) has gained utmost importance and has become a worldwide concept whereby organisations consider the interests of society by taking responsibility for the impact of their activities. In India CSR is in a budding stage and facing daunting social and environmental challenges due to rapid economic developments, many Indian companies have to go beyond their essential economic functions and to consider social and environmental aspects through their CSR for their sustainability and development. CSR covers almost all issues like the use of child labor; inequality of employment; environmental impact; involvement in local community; products' safety; company cultures; brand image and reputation etc. and it is one of the parameters to judge the performance of a company. Sustainability refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders. Against this backdrop, an attempt has been made to overview the CSR practices in India.

Keywords: Corporate Social Responsibility, development, sustainability, environmental challenges, stakeholders.

1. CONCEPTUAL FALLACY

Corporate Social Responsibility is a continuous commitment of a business to behave ethically and to contribute to economic development while improving the living standards of the workforce and their families as well as the community. The Indian business has traditionally been socially responsible and they are practicing various methods of discharging its social responsibility. Corporate Social Responsibility (CSR) is now prominent and evident more than ever due to the emphasis laid on businesses regarding environmental, social and ethical issues. CSR encompasses many different ecological, social and economic issues such as human rights, labour rights, environmental protection, consumer protection, socio-economic development, corruption and other aspects of CSR. It also includes some fundamental operational aspects of CSR like supply chain responsibility, stakeholder involvement, transparency and reporting and independent verification.

The term "Corporate Social Responsibility" came into common use during 1960-70. CSR is also called "*Corporate Conscience, Corporate Citizenship, Social Performance, or Sustainable Responsible Business/ Responsible Business*" which is a form of corporate self-regulation integrated into a business model. As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Organizations are encountering various challenges by Government regulations, tariffs and environmental restrictions and so on. Companies considered that ethical issues are major and costly hindrances to their growth and sustainability and hence adopt CSR as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions.

Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs.

Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. It is no longer acceptable for a corporation to experience economic prosperity in isolation from those agents impacted by its actions. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organizations to reshape their frameworks, rules, and business models. To understand and enhance current efforts, the most socially responsible organizations continue to revise their short- and long-term agendas, to stay ahead of rapidly changing challenges.

CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of various aspects of each business such as Customers, Suppliers, Environment, Communities and Employees. It is not only about ecological accountability or having a recycling policy, but also considering the whole representation of the company. Rising economies such as India have also observed a number of companies enthusiastically engaged in CSR activities. They have been quite sensible in taking up CSR initiatives and integrating them in their business processes. It has become progressively projected in the Indian corporate setting and companies now have specific departments and teams that develop specific policies, strategies and goals for their CSR programs and set separate budgets to support them. Most of the time, these programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain.

1.1. Domains of Corporate Social Responsibility Activities

The concept of CSR can be divided into many and diverse domains. Sen and Bhattacharya (2001) provide six broad domains of CSR activities which are as follows:

❖ *Community Support*: The Company provides support to the community with the use of health and educational and housing programs for financially disadvantaged. The generous and innovative giving is promoted.

❖ *Diversity*: The Company provides initiatives for sex, race, family, sexual orientation and disability diversity.

❖ *Employee Support:* The Company promotes health and safety, ensures job security and profit sharing, develops relations with the labour unions and allows employees involvement.

❖ *Environment:* The Company avoids the use of hazardous waste management techniques, uses and produces environmental friendly products, develops pollution control and recycling techniques.

❖ *Non-domestic Operations:* The company prevents operations in countries where human right violations occur or unhealthy labour practices take place.

❖ *Product:* The Company produces safe products and promotes research and development and innovation.

1.2. Methodologies of Corporate Social Responsibility

There are a number of methods that companies can employ to carryout CSR activities and programs. Two popular methodologies are *Cause-Branding* and *Venture Philanthropy*. Basically, cause-branding is a top-down approach in which the company, including executives, determines which social and environmental causes to support and how to support them. Alternatively, venture philanthropy is a bottom-up approach. Cause-branding and venture philanthropy are two popular methods for carrying out CSR programs and fulfilling social missions.

℧ *Venture Philanthropy:* In venture philanthropy, companies provide funding and technical advice to community-based organizations that are acting as 'laboratories of the streets'. Venture philanthropy is the donations to non-profit organizations by the companies.

ℒ   *Cause-Branding:* Cause-branding is that the companies have the opportunity to select social and environmental causes that are consistent with the company's brand and mission. This can have a powerful effect on consumers and often leads to heightened brand loyalty.

1.3. Concept of Corporate Social Responsibility

Archie Carroll (1991) describes CSR as a multi layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities. Carroll presents these different responsibilities as consecutive layers within a pyramid, such that "true" social responsibility requires the meeting of all four levels consecutively. The model probably is the most accepted and established.

Figure below makes clear that various aspects such as philanthropic, ethical, economic and legal to be considered by the organizations while framing their CSR report.

Figure 1: Multi layered concept of Corporate Social Responsibility

1.4. Principles of CSR:

While the definitions of CSR may differ, there is an emerging consensus on some *common principles* that underline CSR:

● *CSR is a business imperative:* Whether pursued as a voluntary corporate initiative or for legal compliance reasons, CSR will achieve its intended objectives only if businesses truly believe that CSR is beneficial to them.

● *CSR is a link to sustainable development: B*usinesses feel that there is a need to integrate social, economic and environmental impact in their operation

● *CSR is a way to manage business:* CSR is not an optional to business, but it is about the way in which businesses are managed.

1.5. Process of Corporate Social Responsibility

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. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. The CSR process comprises two distinct phases:

ℒ   Strategy Development

ℒ   Strategy Implementation.

The *Strategy Development* phase includes the factors:

● *Values* which drive the strategy;

● *Alternatives* which encompasses the various range of options available to decision makers

● The *strategy* (or action) which ensures result from the decisions taken in the two earlier steps.

The *Strategy Implementation* phase includes the factors:

● *Implement and control* which involves the technical aspects of implementation at a more tactical level and the crucial step of control of the entire process.

● The *output* step is included based on the rationale that a result orientated approach is beneficial to ensure an effective and efficient use of managerial resources.

2. REVIEW OF LITERATURE

Corporate Social Responsibility has earned much salience over the last decades in academic literature. The literature offers various interpretations of the concept of corporate social responsiveness and it is argued that business and society are interwoven: society has certain expectations regarding business and therefore the firm has responsibilities towards society.

Hence, being a steward of the needs of society is deemed to be a socially responsible, appropriate, and natural act. The literature is relevant to the concept of Corporate Social Responsibility, the relation between CSR and Business Ethics and the drivers of CSR and the areas and activities of CSR etc. Corporate Social Responsibility (CSR) is now prominent and evident more than ever due to the emphasis laid on businesses regarding environmental, social and ethical issues.

Corporate Social Responsibility (CSR) can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll and Buchholtz 2003). Naylor (1999) defined it as "the obligation of managers to choose and act in ways that benefit both the interests of the organization and those of society as a whole." Nexen (2009) defines CSR is a commitment to behave ethically and contribute to economic development while improving the quality of life of our workforce and their families as well as the local community at large. Kotler & Lee (2004) defines it as a commitment to improve community well-being through discretionary business practices and contributions of the corporate resources. Eufin.org (2009) defines CSR as a concept companies take themselves to reflect social and environmental concerns within their activities and in their relationships with the various corporate stakeholders. Commission of the European Communities defines CSR as a concept by which "companies decide voluntarily to contribute to a better society and a cleaner environment". It states that behaving in a socially responsible way amounts to "going beyond compliance and investing `more' into human capital, the environment and the relations with stakeholders". Fraser (2005) describes CSR as sustainable development which needs to be carried out by all the publicly held companies. These companies need to be responsible not only for their shareholders, but also its stake holders like the employees, customers, suppliers, government and non-governmental organizations. Mallen Baker (2005) refers to CSR as "a way companies manage the business processes to produce an overall positive impact on society." According to World Business Council for Sustainable Development "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".

Carroll (2004) argues that "the social responsibility of businesses encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time", while Buhmann (2006) simply defines CSR as "doing more than what is required by law". Johnson, Scholes and Whittington (2005), define CSR as "the ways in which an organisation exceeds its minimum obligations to stakeholders specified through regulation". The World Business Council for Sustainable Development (WBCSD) defines CSR as "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 the local community and society at large" (2004). Freshfields Bruckhaus Deringer (2006) defines CSR as "the voluntary integration of environmental, social and human rights considerations into business operations, over and above legal requirements and contractual obligations".

Corporate Social Responsibility is being built based on a variety of very important factors. Ernst and Young (2002) mention that there are five key drivers which encourage the increasing business focus on CSR. These are: (1) greater stakeholder awareness of corporate ethical, social and environmental behaviour, (2) direct stakeholder pressures, (3) investor pressure, (4) peer pressure and (5) an increased sense of social responsibility (cited in Jones, Comfort and Hillier, 2006). Panwar et al. (2006), argue that there are diverse motivations that lead to the adoption of CSR by the organisations. Wood (1991) opines that the concept of CSR is being driven by three major principles. Firstly, businesses are obliged to use their power responsibly since they are above all social institutions. Secondly, the responsibility for the outcomes of the involvement with the public is upon businesses. Lastly, discretion must be exercised in

decision making processes by the individual managers who are also moral agents. Andriof and McIntosh (2001) believe that the driving force behind the concept of CSR is the consumers and employees. These two categories are holding the power in the market system nowadays. They accept that corporations are the most powerful social institutions of the present era and most importantly they are willing to reward those corporations who are responsive to their concerns.

The Commission of the European Communities (2002) argues that the organisations in order to better respond to the fundamental changes in the overall business environment they adopted CSR and used it as an important element in new and emerging forms of governance. Many organisations are using nowadays CSR as a marketing tool due to the fact that the implementation of CSR practices can bring to the organization a wide range of potential benefits, both direct and indirect. The Department of Trade and Industry (DTI) says that implementing a CSR policy can bring real business benefits by reducing risk, by enhancing brand value, by opening doors and creating good will, and by improving staff efficiency and morale. It can also attract stable and ethical investment and add competitive edge. Mackey & Barney (2005) opine that if a company surpasses the minimum CSR requirements then the potential benefits can lead to a positive effect to the company's performance and value. Gildea (1994) and Zaman (1991), stress out that research has shown that companies that care for the environment and exhibit good CSR practices experience increased consumer purchase preference in addition to increased investment appeal. Muckiewicz (1993) opines that the reputation of an organization plays a vital role in marketing the products. According to Bernstein (2004), CSR benefits both the company and the community. Due to the use of CSR the corporate culture and reputation can be improved significantly thus the best employees can be attracted and the motivation of the workforce will remain in high levels. The society benefits from CSR practices as well through a variety of services and action, though the company has to create some sort of societal benefit in order to be called socially responsible.

Arora and Puranik (2004) reviewed contemporary CSR trends in India concluding that the corporate sector in India benefitted immensely from liberalization and privatization process, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth. Verma and Chauhan (2007) found that roads, pollution and power are the major concern of corporate CSR activities as compared to least concern area which is communication and education. Dutta and Durgamohan (2009) found that education takes the first place followed by health and social cause. Similarly, a survey conducted by CSM (2001), the perception of companies towards various parameters of CSR has been brought forward. The various dimensions of CSR valued by companies are national wealth, employment, environment and social programme including health and literacy.

To conclude, it can be clearly seen that the base line of the above definitions is the voluntering obligation that the organisations must have over their employees and their families, the environment and the general public which sometimes may go further their legal requirements.

3. DATABASE AND METHODOLOGY

The need to analyze the trends in Corporate Social Reporting practices arises because of the recent considerable importance that has placed to it. Many researchers have undertaken the study on different aspects of reporting, formulated conclusions and recommended various suggestions on reporting of the performance of corporate bodies. Even then certain gaps still remained as CSR is a wide and powerful concept. In order to bridge the gaps the present study has been undertaken to make the study more meaningful and purposeful. With this background the present study "*AN OVERVIEW ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILE DEVELOPMENT IN INDIA*" has been undertaken with following objectives:

1. To analyze the importance of Corporate Social Responsibility and its dimensions

2. To outline the new areas of increasing importance in CSR

3. To analyzing the key driving factors and benefits of CSR

4. To point out the steps taken by the regulatory statutes and statutory bodies to ensure proper CSR by the corporate entities

5. To analyze the impact of CSR on sustain ability of the firms

6. To analyze the impact of reforms and the recent trends in CSR practices in India

In order to accomplish the above objectives, secondary sources, available literature, reports and data have been used. The data has been obtained from various journals, reports, magazines and websites.

4. ANALYSIS

The importance of serving the society where the companies are operating is a legal and moral responsibility for both the public and private companies. Big companies are always exploiting the resources of a place and they should compensate for that. Companies should understand that, it can stay in the market with the help of the customers and the society in which it operates alone. Neither financial abilities nor the smart governance or management will help the companies in achieving their long term goals. In order to achieve long term goals, the companies need to execute their social responsibilities in a fruitful manner. Corporate social responsibility is not helping the poor and needy people alone. The company should keep morality and ethics in all its operations in order to fully execute their social responsibilities. Companies should never try to exploit the natural resources injudiciously. Moreover they should never engage in activities which are harmful to the environment. In short, Corporate Social Responsibility is a wide topic which includes a company's commitment to the society, stakeholders and the environment in which it operates.

"Every company should regularly report to its stakeholders on its policies and practices as regards to environment, social issues, ethics, health and safety."

In an increasingly fast-paced global economy, CSR initiatives enable corporates to engage in more meaningful and regular stakeholder dialogue and thus be in a better position to anticipate and respond to regulatory, economic, social where markets, labour and communities are able to function well together and companies have better access to capital and new markets. Financial investors are increasingly incorporating social and environmental criteria when making decisions about where to place their money, and are looking to maximize the social impact of the investment at local or regional levels. The Corporate Social Responsibility (CSR) is not a new issue. In fact, it happens to be a relevant topic not only for the companies but also for the society at large. CSR defined as "*the ethical behavior of a company towards the society*" manifests itself in the form of such noble programs initiated by non-profit organizations. CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses it is also vital to build trustworthy and sustainable relationships with the community at large. This is one of the key drivers of CSR programs.

4.1. Determinants of Corporate Social Responsibility Practices

Influences on CSR practice tend to overlap or interact in quite complex. There are six sets of influences that might promote social responsibility actions within the firm: internal pressures on business managers, pressures from business competitors, investors and consumers, and regulatory pressures coming from governments and non-governmental organizations. These forces are threefold: their close relation to the capital accumulation process generates the externalization dynamic; the nature of consumer identity in capitalist social formations impacts whether 'enlightened consumption' can be a substantial force promoting CSR; and the direct access to firms demanded and sought by the state and popular mobilizations.

● Internal and competitive pressures for CSR

● External pressures from investors and consumers

- Regulatory pressures
- Pressures from popular mobilizations

4.2.   Approaches of Corporate Social Responsibility

- *CSR as corporate philanthropy*: This includes monetary donations and aid given to local and non-local non-profit organizations and communities, including donations in areas such as the arts, education, housing, health, social welfare, and the environment excluding political contributions and commercial sponsorship of events. It is a community-based development approach which generally leads to more sustainable development.

- *CSR as risk management*: This approach incorporates the CSR strategy directly into the business strategy of an organization to avert risk in future.

- *CSR as value creation*: Another approach is garnering increasing corporate responsibility interest. This is called creating shared value (CSV) is based on the idea that corporate success and social welfare are interdependent. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.

4.3.   Corporate Social Responsibility Policy

CSR is becoming a leading principle of top management and of entrepreneurs. Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The policy should be framed with the participation of various level executives and should be approved by the Board which covers the following core elements:

1.   *Care for all Stakeholders:* The companies should respect the interests of and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

2.   *Ethical functioning:* Their governance systems should be underpinned by *Ethics, Transparency and Accountability*. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

3.   *Respect for Workers' Rights and Welfare:* Companies should provide a safe, hygienic and humane workplace environment which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis.

4.   *Respect for Human Rights:* Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

5.   *Respect for Environment:* Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

6.   *Activities for Social and Inclusive Development:* Depending upon their core competency and business interest, companies should undertake activities such as education, skill building for livelihood of people, health, cultural and social welfare etc. for economic and social development of communities particularly targeting at disadvantaged sections of society.

4.4. Benefits of Cor/porate Social Responsibility

Some of the potential benefits that a business can have from the use of CSR practices can include improved financial performance and profitability;

Benefits to the Company :

- Improved financial performance
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Long-term sustainability for companies and their employees
- Increased staff commitment and involvement
- Enhanced capacity to innovate
- Good relations with government and communities
- Better risk and crisis management
- Enhanced reputation and brand value
- Development of closer links with customers and greater awareness of their needs
- Greater productivity and quality
- More ability to attract and retain employees
- Reduced regulatory oversight
- Access to capital
- Workforce diversity
- Product safety and decreased liability

Benefits to the Community and the General Public:

- Charitable contributions
- Employee volunteer programs
- Corporate involvement in community education, employment and homelessness programs
- Product safety and quality

Environmental Benefits:

- Greater material recyclability
- Better product durability and functionality
- Greater use of renewable resources
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

4.5. CSR Responsibilities

In order to derive the above mentioned benefits, the corporates should maintain a CSR policy with the following responsibilities:

- Define the purpose and values of the company and identify the stakeholders relevant to the business of the company
- Develop a strategy combining purpose, values and stakeholders and ensure management implements the strategy
- Monitor implementation
- Identify and monitor the non-financial aspects relevant to the business of the company
- Identify key risk areas and develop key performance indicators, including behaving responsibly towards all stakeholders. Develop a system of risk management and internal control, incorporating mechanisms to deliver a register of key risks that could affect shareowner and relevant stakeholder interests
- Communicate its strategic plans and ethical code internally and externally; it is the board's duty to present a balanced and understandable assessment of the company's position in reporting to stakeholders. Reporting should address material matters of significant interest and concern to all stakeholders
- The board must determine the social and environmental issues, policies and practices relevant for disclosure

4.6. Corporate Social Responsibility Practices in India:

In India many companies are practicing the Corporate Social Responsibility (CSR) for decades long before CSR become a popular basis. 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. Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. Nearly all leading corporates in India are involved in Corporate Social Responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. 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. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development.

According to a study by The Economic Times, donations by listed companies grew 8 per cent during the fiscal ended March 2009. The study of disclosures made by companies showed that 760 companies donated US$ 170 million in FY09, up from US$ 156 million in the year-ago period. As many as 108 companies donated over US$ 216,199, up 20 per cent over the previous year. 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.

According to Minister for Corporate Affairs, Mr. Salman Khurshid, one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to the system of carbon credits which are given to companies for green initiatives. Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility. 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. As per the guidelines, companies with net profit of less than US$ 22.5 million will earmark 3-5 per cent of profit for CSR, companies with net profit of between US$ 22.5 million - US$ 112.5 million, will utilize 2-3 per cent for CSR activities and companies with net profit of over US$ 112.5 million will spend 0.5-2 per cent of net profits for CSR.

Perceptions of Indian Business by Centre for Social Market (CSM), and Corporate Social Responsibility Survey, 2002, India presented jointly by the British Council, UNDP, Confederation of Indian Industries and Price Water house Coopers have also highlighted the emerging Indian participations in the CSR process. The findings of these surveys emphasized companies across India reveal that philanthropy is the most significant driver of CSR, followed by image building, employee morale and ethics respectively.

As India rides the wave of economic boom and commercial success, corporate social responsibility is presenting itself both as an opportunity and an important requirement for corporates to be engaged in. This will help corporates in their brand building and also contribute towards faster and more balanced growth of our society. Corporate Social Responsibility Practices in India sets a realistic agenda of grassroots development through alliances and partnerships with sustainable development approaches. As a result The Government launched various CSR initiatives, a National Foundation for Corporate Governance

(NFCG) has been established with a motive to promote better corporate governance practices and raise the standard of corporate governance towards achieving stability and growth. Socio-economic problems like poverty, illiteracy, lack of healthcare etc. also induced the government for rapid adoption of CSR. The labour laws, the environment laws, Right to Information and corruption also led to the transparency of the organizations.

4.7.   Challenges faced by companies

In India, some public sector companies can spend up to 5 percent of their profits on CSR activities. Pressure groups have been quite successful in inducing companies to fund CSR schemes and the forms of CSR differ according to the country or region. 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. The following are some of the challenges faced by the corporates in CSR activities:

- *Lack of Community Participation in CSR Activities*: There is lack of interest of the local community in participating and contributing to CSR activities of companies. 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.

- *Issues of Transparency:* Lack of transparency is one of the key issues as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds.

- *Non-availability of Well Organized Non-governmental Organizations: T*here is non-availability of well organized NGOs 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.

- *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.

- *Narrow Perception towards CSR Initiatives:* NGOs 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.

- *Non-availability of Clear CSR Guidelines:* There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies.

- *Lack of Consensus on Implementing CSR Issues:* Lack of consensus amongst local agencies regarding CSR projects which results in duplication of activities by corporates in areas of their intervention.

The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness. Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. CSR programs ranges from community development to development in education, environment and healthcare etc. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution

to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

5.   CONCLUSION

Today 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. These programs are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. India may become the world's first country to make *Corporate Social Responsibility Mandatory* - Paths have been cleared for reintroduction of the Companies Bill, 2011. If the bill is passed after endorsing all the propositions made by the Parliamentary Standing Committee on Finance, CSR would become mandatory for the first time in the world in any country. A long term perspective by organisations, which encompasses their commitment to both internal and external stakeholders, will be critical to the success of CSR and the ability of companies to deliver on the goals of their CSR strategy.

Today, many companies view CSR initiatives ensure efficiency, stimulate innovation, and create organizational excellence. Corporate responsibility or sustainability is t a prominent feature of the business that includes business ethics, corporate social performance, global corporate citizenship, and stakeholder management. CSR is becoming a leading principle of top management and of entrepreneurs. The organizations have to begin their journey toward a sustainable approach that is integrated into their business strategy. It can be concluded from the study that CSR is an essential component for sustainable development. It is true that no firm can derive social benefits in isolation; they must also support public policies that establish minimum standards for less virtuous competitors, not just to create a level playing field, but because such a requirements are frequently necessary to accomplish the underlying goals of CSR. Management has a vital role in ensuring CSR that reflects in corporate values, strategy, risk management structures, incentive programs and disclosure. CSR is thus supportive of fiduciary duty of management and board attention to CSR issues will be warranted in the future. Thus it can be concluded in order to have sustainable development and bright future, the enterprises should follow good Corporate Social Responsibility approach.

"For those who dismiss the idea of Corporate Social Responsibility: A closed mind is a dying mind"

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