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Abstract

CSR is deemed as a point of convergence of various initiatives aimed at ensuring socio-economic development of the community. Acknowledging the fact that mainstreaming CSR into businesses could be instrumental in delivering societal value, especially in a developing country like India, this paper specifically aims at providing an understanding of concept of CSR and analyses the development of CSR in India. It highlights the policies governing CSR in India and discusses the cases of CSR initiatives in Indian firms including SMEs role in CSR. There are several challenges facing CSR in India and the paper provides suggestions to overcome them and accelerate the CSR initiatives in India.

1.0 Introduction

Indian corporations, like those in other countries, have had a long tradition of being engaged in social activities that have gone beyond meeting a corporation's immediate financial objectives. However, since the late nineties, CSR activities have increasingly come under the lens both of policy makers as well as of corporations' stakeholders as governance issues acquired increasing prominence. At the policy level, the formal focus on CSR started in India with the issuance of the Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009) that culminated in the enactment of Section 135 of the Companies Act 2013 (MCA, 2013) making CSR spending as well as CSR disclosure mandatory for specific types of companies. Significantly while CSR issues have been gaining in prominence across countries, India became the first country, and at the time this article is written, the only country to have made CSR activity mandatory for large and profitable companies incorporated into law. In all other countries CSR efforts by corporations have been kept largely voluntary, with only a select number of countries mandating corporations to disclose such activities.

Not surprisingly, therefore, Section 135 in India has generated largely polarized opinions among policy makers, corporates, industry associations, social sector organizations, and last but not the least, academicians. On one hand, the institution of mandatory CSR has been lauded in policy circles as a "historical opportunity" that could be a "game changer" for India where corporates would work hand in hand with the government and civil society to bring about "national regeneration" through sustainable development. Unorthodox as it may seem, some have argued that for a developing country like India, mandatory CSR may be an instrument to pursue a "middle path" between a liberal and a regulatory state so as to balance growth with social stability. On the other hand, critics of mandatory CSR, primarily corporates and business associations have pointed out that making CSR activities mandatory is essentially an exercise in outsourcing government social responsibility to the private sector and making the latter pay for the failures of the former. Further, when such activities are not clearly defined, mandatory CSR will create perverse incentives for corporates to camouflage activities to meet mandatory requirements or find ways to bypass the law.

Given the conflicting viewpoints around mandatory CSR, the objective of this paper is to examine in light of Section 135 and the Rules

notified thereunder (MCA, 2014a), the fundamental and overarching question of whether mandated CSR would have the potential to bridge the welfare gap in a developing country like India. Specifically, the paper analyses the potential implications of Section 135 on firm incentives, the likely responses of corporates that come under this Section, its implications for resource availability and delivery of social goods, and finally the prospects and challenges of implementation of mandated CSR spending under the notified Rules. Insights into these issues are drawn by empirically examining the CSR behavior of a sample of 500 large companies listed on the Bombay Stock Exchange for the period 2003-2011.

The paper is organized as follows. Section 2 sets the stage for discussing the relevant issues outlined in the introduction by presenting the key provisions of mandatory CSR under Section 135 of the Companies Act, 2013. Section 3 provides an overview of the existing theoretical and empirical literature regarding the rationale behind CSR while Section 4 discusses the various regulatory approaches and identifies the potential costs and benefits of mandated CSR. To put the issue of mandatory CSR in perspective, Section 5 empirically analyses the voluntary CSR initiatives by the top 500 listed companies in India for the period 2003-2011, a period prior to the enactment of Section 135. Section 6 concludes the paper by examining the prospects and challenges of implementing mandatory CSR in India.

2. CSR in India – The Legal Framework

The first formal attempt by the Government of India to put the CSR issue on the table was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). Prior to this, the importance of CSR was discussed in the context of corporate governance reforms, such as in the Report of the Task Force on Corporate

Excellence by the Ministry of Corporate Affairs (MCA, 2000). While the report made a business case for CSR as well as highlighted the social benefits stemming from it, the discussion was recommendatory in nature and there were little actionable points. It is in the Voluntary Guidelines of 2009 that the core elements of a CSR policy was spelt out that included care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development. The Guidelines specifically drew a distinction between philanthropy and CSR activities, and highlighted the voluntary nature of CSR activities that go beyond any statutory or legal obligation. The Guidelines of 2009 were followed in 2011 by the National Voluntary Guidelines of Social, Environmental & Economic Responsibilities of Business, also issued by the MCA (MCA, 2011). These guidelines were reportedly based on the inputs received from 'vital stakeholders' across the country and laid down nine principles for businesses to function in a responsible manner to promote inclusive economic growth at the national level. As in the case of the 2009 Guidelines, the 2011 Guidelines were voluntary in scope wherein corporates were urged to adopt all the nine principles, and to report their adherence to the guidelines based on an 'apply-or-explain' principle. Interestingly, while one of the implementation strategies suggested in the 2009 Guidelines was to earmark "specific amount related to profits after tax, cost of planned CSR activities, or any other suitable parameter," no such suggestion was included in the 2011 Guidelines.

The transition from a voluntary CSR regime to a regulated regime came when the Securities Exchange Board of India (SEBI) required the top listed 100 companies, as part of Clause 55 of the Listing Agreement, to mandatorily disclose their CSR activities in the Business Responsibility Reports (BR Reports) accompanying the Annual Reports. This, SEBI

opined was in the larger interest of public disclosure and represented a move towards integrating social responsibility with corporate governance. The most ambitious attempt at mandated CSR activities for companies came with the enactment of Section 135 of the Companies Act 2013 (MCA, 2013). As stated in the introduction, Section 135 made CSR spending as well as reporting mandatory for the very first time in India and brought the CSR activities of Indian corporates under the purview of corporate law. Specifically, the provisions under Section 135 requires companies with net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more (i) to appoint a CSR Committee of at least 3 directors (one independent director), and (ii) under the guidance of the CSR Committee, spend in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. While the quantum of CSR spending along with reporting has been mandatorily set under Section 135, there is some inbuilt flexibility in the law in terms of a company's choice of its CSR activities. Instead of rigidly defining the boundaries of CSR, the act broadly specifies in Annexure VII of the Act, the scope of social responsibility in terms of a list of activities that the corporate can potentially undertake, leaving the choice of activities to its discretion. So far as compliance to Section 135 is concerned, the law adopts a comply-or-explain approach, with no explicit penalties for non-compliance.

Subsequent to the passage of the Act, the Ministry of Corporate Affairs notified the Rules with respect to CSR on February 27, 2014. Apart from listing out specific activities on which the companies are free to spend the amount earmarked under their CSR Policy. The Rules guard against self-serving expenditure by companies by specifying that CSR activities that

benefit only the employees of the company and their families shall not be considered as CSR spending under the provisions. However, companies may build CSR capacities of their own employees through reputed institutions with the proviso that such expenditure cannot exceed five percent of the total CSR expenditure made by the company in that financial year. The Rules framed under Section 135 of the Act, came into force from April 1, 2014.

With the enactment of Section 135 of the Companies Act, 2013, as observed by the Ministry of Corporate Affairs in the Report on the Standing Committee on Finance (LSS, 2010), India became the first country to include provisions on CSR in Company Law and make CSR expenditure mandatory for corporates based on pre-specified criteria. In the rest of the world, however, CSR is still a voluntary exercise left to the discretion of the corporates. What is mandatory at most is the compulsory reporting of CSR activities undertaken by corporates in a growing number of countries, although this too is not the case across all countries. Thus, in countries such as Sweden, Norway, the Netherlands, Denmark, France, Australia and China, either government regulations or stock exchange regulations or both require corporates to disclose their CSR activities through sustainability reporting.¹ The distinguishing feature of Section 135 is that it not only makes the reporting of CSR activities mandatory, but goes a step further to mandate CSR activities in the first place.

3. Why Corporate Social Responsibility?

In any CSR discussion it is important to understand why corporates should be socially responsible in the first place? Why, instead, would corporates not go about their business of shareholder value maximization, and leave the task of pursuing social development to

government agencies? What is the underlying rationale of CSR, and more specifically, in the context of Section 135, the economics of mandatory CSR? The question of “why CSR” can be essentially decomposed into three sub-queries namely, what is CSR, what is the rationale for CSR, and what is the rationale for mandated CSR.

3.1 Defining CSR

The dilemma on the relevance of CSR in corporate activity is inextricably linked with defining the scope of CSR for a corporation. A review of the existing literature on CSR reveals that there is a diversity of opinions and ambiguity on the elements that constitute socially responsible behavior on the part of corporates.² Arriving at an agreed-upon definitional construct for CSR is important, first from the point of view of the entity which is responsible for CSR, i.e., the corporation, and second from the point of view of the entity that is impacted by CSR, i.e., the society at large, and finally from point of view of the entity that seeks to connect the firm and society, i.e., the regulator. In any national context, the debate on the extent to which CSR activities should be regulated should at least begin with a consensus among these three entities on what constitutes CSR.

The definition of CSR has evolved over the years. A sample of such definitions found in the academic literature and those advocated by international agencies are provided in Box 1. Country-specific perspectives on CSR including India are provided in Box 2. As is evident from the two Boxes, CSR has been conceptualized in terms of a wide range of corporate behavior, starting at one extreme with the maximization of shareholder profits within the rules of the game (Friedman, 1970) to the other extreme of an all-encompassing objective of balancing economic, social and environmental objectives to serve shareholder and stakeholder interests as defined by UNIDO, World Bank and the

World Business Council for Sustainable Development (WBCSD). The notion of CSR in-built in most of these definitions is that CSR is essentially a voluntary activity that serves as a bridge between the corporation and the society, with the goal of the corporation re-defined from maximising only shareholder interests (the shareholder primacy view) to the interests of all its stakeholders. Closely related to this is the focus on balancing economic objectives with social and environmental objectives that could in the process compel corporations to sacrifice profits in the interest of society. Ethical and moral behavior, and activities pursued beyond regulatory and legal compliance that contribute to social welfare also fall under the ambit of CSR activities.

3.2 The Rationale of CSR

To understand better the drivers of CSR in developing countries and the considerations that have possibly dictated the imposition of mandatory CSR in India, it is important to highlight the pros and cons of socially responsible activities from the viewpoint of both the society and the corporation along with the need for regulatory oversight of such activities.

CSR and Social Welfare

At the societal level, there has been an increasing recognition that the economic activity of a corporation needs to be embedded in societal concerns. In fact, much of the discourse on CSR is conducted in terms of the relationship between business and society, of the moral and ethical imperative of business that goes beyond legal compliance, to contribute positively to society. Bowen (1953), among the first academicians to draw attention to the social responsibility of corporations, argued that private corporations should be evaluated purely in terms of its “demonstrable contribution to the general welfare” (p.52) in terms of the production of social goods such as

higher standards of living, and in spreading economic progress and security, and that the survival of the free enterprise system critically depended on such contributions. A similar argument was forwarded by Steiner (1971) who argued that while businesses are primarily economic institutions, they are also expected to contribute towards achieving social goals, and such responsibilities should increase with the size of the business. This line of thinking, evolved over the years culminating in the stakeholder perspective that argues that a corporation's goal should go beyond maximising profits for its shareholders, and should instead be defined with respect to all its stakeholders (customers, suppliers, employees, community, etc.) including the society at large (Freeman, 1984).

While much of the argument for CSR from the perspective of the society is ensconced in moral and ethical considerations, there are economic arguments too that have been made for and against CSR. The strongest position taken against firms engaging in CSR has been taken by Friedman (1970) who argued that it would be socially irresponsible for profit maximizing firms to engage in CSR; any diversion of funds to create social good at the cost of shareholder returns would be tantamount to 'theft.' The implication of Friedman's thesis is that CSR would lead to allocative inefficiencies and social losses. On the other hand, a body of theoretical research has provided the economic rationale for the social role of private firms in the provision of public goods via CSR. For instance, Besley and Ghatak (2007), based on a theoretical model argue that CSR is no different from the private provisioning of public goods, that it can be Pareto improving and that, CSR by private-for-profit firms will be potentially efficient when provisioning of public goods by governments is sub-optimal.

The rationale for CSR in the case of developing countries extends beyond standard arguments as highlighted above and explicitly brings in the

role that CSR can play in meeting developmental objectives of poverty reduction and inclusive growth. To begin with, there is no place for Friedman's view of CSR. Instead, the social role of the corporates in development vis-à-vis that of the government becomes an integral part of the discourse. In particular, CSR contributes to governmental resources and delivery mechanisms either to supplement these, i.e., to chip in, or as a substitute, to fill up "governance gaps" especially where governments are weak, corrupt and under-resourced, and institutions are weak (Visser, 2008; Blowfeld and Fyrnas, 2005; Matten and Moon, 2008). These arguments closely mirror the conclusions arrived at by Besley and Ghatak of the role of CSR where government provisioning could be sub-optimal for a variety of reasons.

4. CSR and the Firm

Turning to the rationale of CSR from the perspective of a firm, two distinct motivations are identified, one which is 'performance driven' and the other which is 'stakeholder-oriented' (Basu and Palazzo, 2008, cited in van der Wees, 2009).³ Performance driven CSR is strategic in nature whereby firms incurring CSR expenses are driven by the profit motive and the belief that corporate social performance will translate into corporate financial performance in the long run. This is essentially the business case for CSR where expending on CSR is perfectly consistent with shareholder wealth maximization, with no trade-off between shareholder objectives and social responsibility.⁴ The premise underlying the business case for CSR is that "smart companies are those that will take a proactive approach and see CSR as a feature of mainstream business practice, employee engagement and a competitive advantage" (Davies, 2002). In other words, it pays to do CSR.

Stakeholder-oriented CSR is driven by the motivational desire of the firm to serve the interests of all stakeholders of the corporations

beyond those of its shareholders. While the shareholder primacy view predominantly focuses on the profit motive, the stakeholder perspective is seen as reconciling the social and economic goals of an organization driven by a moral motive of serving the interests of the society at large (van der Wees, 2009).

5. CSR in Indian organisations:

CSR of TATA

After independence, TATA has broadened its CSR intervention in India. After independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities (Ahmed, 2013). He advised that apart from the obvious one of donating funds to good causes which have been their normal practice for years; they could have used their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures (Ahmed, 2013). It has intervened into the area of social welfare of employees. It has focused extensively on education and livelihood security in its intervention areas. They have also participated with the government to improve sanitation in a village called Tiruvidenthai. The Tata Council for Community Initiatives (TCCI) is a unique initiative that lends structure to the Tata group's approach of sustainable development while driving its community engagement and improvement programmes (Uvais and Cholasser, 2013). The healthcare projects of Tata Steel include facilitation of child education, immunisation and childcare, plantation activities, creation of awareness of AIDS and other healthcare projects. Tata Steel has hosted 12 Lifeline Expresses in association with the Ministry of Railways, Impact India Foundation and the Government of Jharkhand (Srivastva et al., 2012). It has served over 50,000 people. Five thousand people have received surgical facilities and over 1,000 people received aids and appliances (Srivastva et al., 2012). Tata

Steel has also covered 42 villages in Gamharia block in SeraikalaKharsawa for promotion of SHGs (Srivastva et al., 2012). In Pune, the TATA Trust is providing all infrastructural facilities and medical expenses.

CSR of Gas Authority of India Limited

The Maharatna PSU of India, Gas Authority of India Limited (GAIL) has contributed towards promotion of education and healthcare for children. GAIL's education-based CSR called 'PadhoAurBadho' (Learn and Advance)' strives to bring some degree of succour to the children living in poverty by fulfilling their dreams of receiving education. Being engaged with literacy enhancement programme of GAIL, many children have been benefitted in the area of universal access to quality education. One of its initiatives in the area of innovative education methodology is E-Shiksha programme. This programme has helped in making computer literacy accessible to government schools and facilitated students to accomplish their regular computer school curriculum. Since 2009, this project has been functional in setting up 200 non-formal education centres in the slum areas of Delhi. In the area of empowerment of women, GAIL has collaborated with Infrastructure Leasing and Financial Services (IL & FS) for multi-skill development. It has provided livelihood opportunities to rural women through self-employment initiatives. In the Jhabua district of Madhya Pradesh, Anhad Gram is a project that provides skill based training, better technology and market access for the local produce, to provide an alternative and sustainable livelihood. The establishment of District Disability Rehabilitation Centre established by GAIL has been instrumental in taking care of disabled people in the Jhabua district. Better care has been extended to over 500 persons living with disabilities in the form of operative and reconstructive surgeries. GAIL's project Aarogya (healthy state) is a unique programme wherein Mobile Medical Units (MMU) travel door to door for providing

basic healthcare services covering awareness, diagnosis and cure in the remote areas of Pata and Vijaipur. It aims to roll out 1,000 MMUs in rural India to reach out to 25 million Indians by 2017

(http://www.gailonline.com/final_site/pdf/Gail_CSR_14-03-2013.pdf).

CSR of Steel Authority of India Limited

Steel Authority of India Limited (SAIL) has been contributing towards the development of society through various community welfare programs. It has provided access to nearly 7.3 million people across 435 villages by constructing roads and ensuring availability of water resources to 3.9 million people. SAIL has adopted 79 villages in eight states for comprehensive development as Model Steel Villages. In 2008-09, it has opened 138 schools for providing education to 73,925 students. It has set-up health centres to provide medical care to the poor and needy persons. Between 2007-08 and 2008-09, 10 MMU were provided. SAIL has organised nearly 5989 medical camps and treated 1.75 million patients during 2009-10. During 2006-10, it has provided financial assistance of worth ₹50 million for facilitating education to 47,718 students. SAIL has also set up six special schools exclusively for the poor, underprivileged, below poverty line (BPL) children at its five integrated steel plant locations covering around 1,400 children providing free education, midday meals, uniform, including shoes, textbooks, stationery items, school bag, water bottles, etc. SAIL has contributed immensely to the economic development of its peripheral areas. Peripheral development means growth of grass-root level people in the areas of education, healthcare, drinking water, women's upliftment, employment generation and other associated activities. Under peripheral development, various activities are being undertaken around the plants/units up to a radius of 16 kms. It is making special efforts to initiate new projects in the area of road connectivity, construction of bridges/culverts, and access to improved water

sources. In terms of water availability, it has provided access to drinking water to 3.9 million people through installation of 5,153 water sources in India. In terms of education, SAIL has established about 146 schools in its steel townships to impart modern education to more than 69,000 children. It has also established 54 primary health centres, 12 reproductive and child health (RCH) centres, 17 hospitals and 7 super-specialty hospitals to provide modern health care to more than 30.60 million people.

CSR of Indian Oil Corporation Limited

At Indian Oil Corporation Limited, CSR practices have been running since 1964. The CSR activities are run under the major framework of community development, which consists of education, healthcare, drinking water and sanitation as well as empowerment of marginalised women and depressed classes (Priya and Autade, 2013). In Mathura, Uttar Pradesh, the IOCL has established 50-bed SwarnaJayantiSamudaik hospital. For comprehensive healthcare of existing community of project area, it has founded Assam Oil School of Nursing at Digboi, Assam in 1986. Another landmark progress has been achieved in the area of setting up Indian Oil Rural Mobile Health Care Scheme whereby qualified doctors treat poor patients for even critical diseases (Priya and Autade, 2013). Apart from the health sector, IOCL has progressed towards education sector also. The IOCL has made the provision for a total of 600 scholarships under which ₹3000 is awarded to the students of engineering and medical backgrounds per month for 4 years (Priya and Autade, 2013). Even for skill enhancement, it has made provision for merit scholarship to Industrial Training Institutes (ITI) students (Priya and Autade, 2013).

CSR of Oil and Natural Gas Commission

Oil and Natural Gas Commission (ONGC) has taken various initiatives in terms of carrying out

CSR activities. It has ventured into various sectors like education, employment, environment protection, rural development and eradication of poverty. It is offering merit scholarship to the students pursuing graduation and master degree in different universities of India (Das and Halder, 2011). It has spent nearly ₹42 million in the year 2004-05 and 2005-06 on health care, drinking water scheme and medical camps (Das and Halder, 2011). Until March 2009, 300 power tillers had been provided to different SHGs in Assam under special Swarnajayanti Gram SwarozgarYojana (SGRY) through credit linkage from nationalized banks with the help of State Institute of Rural Development (SIRD) (Das and Halder, 2011). In terms of employment activity, ONGC has contributed ₹0.7 million to the Centre for Rural Development (CRD) for the innovative project "Rickshaw Bank Gauhati". Under this project, it provides rickshaws to participating pullers. It concurrently organises health awareness camps and further extends the mass consciousness for health and hygiene. In Sibsagar, Assam, ONGC has supported various Self-Help Groups (SHGs). It has provided nearly 50 percent subsidy in power tillers. Under YuvaSamridhi project, it has created self-employment opportunities in Sibsagar district. In coordination with Help Age India, ONGC has continued its efforts for facilitating healthcare at the doorsteps of the elderly people through MMUs. In 2011-12, all the 20 MMUs were launched and almost 0.19 million were provided across the eight states and one Union Territory of India. It has also started empowering female tribal population through on-the-job training in the improvised looms in Assam. It is fully supporting a project known as "Aakha" the Boat of hope — the mobile medical ships for tribal's living in the Majuli Island in Assam. It also supported Shankar Nethralaya, Guwahati for up gradation of diagnostic services. ONGC has contributed Rs.0.7 million to Centre for Rural development (CRD) for the innovative project "Rickshaw Bank Guwahati". Under this project, it provides rickshaws to participating pullers.

CSR of BalmerLawrie&Co.Ltd

This Mini-Ratna PSU of central Government has also worked intensively in terms of benefiting the community. It is based on financial assistance to certain target groups. Under "Family Home sponsorship", it sponsors two financially weak families of Kolkata and one in Vishakhapatnam.

In terms of education based scholarship, it has benefited nearly 75 students. Even in the skill-building sector, this CSR has initiated a project called Sambal for vocational training of girls tourism. BalmerLawrice sponsored ₹3.7 million in the year 2011-2012 for this project, benefiting 104 girls from all over India. It has supported in building infrastructure for 2400 schools in West Bengal. Apart from education, this PSU has strengthened the health sector too through reducing infant mortality rate (IMR). 12,000 beneficiaries include mothers and children(aged 0-5 years) are being benefited every year under its health care project. Sivassa and Sunderban, the PSU has ensured availability of sanitation facilities. It has supported AkshayaPatra to procure kitchen equipment & a van for mid-day meal distribution in some schools in New Delhi.

CSR of Reliance Industries

The contribution of Reliance industries in CSR activities has been immense. It has extensively worked in the area of children's education. Its CSR team provides uniforms and books to the students of the neighboring villages around its manufacturing locations. The DhirubhaiAmbaniProtsaham Scheme provides financial aid to the toppers, who aim to pursue higher education in medical stream or engineering. Until now, 656 students have received this support. In addition, another initiative called Mumbai Indians Education for All (MIEFA) that began in 2010 has invited until now nearly 700 children from various NGOs to watch the Mumbai Indians play cricket. In addition, this MIEFA has provided education to

over 70,000 under privileged children-many of whom dropped out of school earlier for various reasons.

Another unique joint initiative of RIL and National association of Blind called Project Drishti has undertaken over 9,000 free corneal graft surgeries for the visually challenged Indians from the under privileged segment of the society. Under the health sector, they have expanded even for coverage of patients suffering from HIV/AIDS and TB. Hacara Manufacturing Division along with an NGO have launched an orthopaedic hospital with ultra-modern facilities and one rehabilitation centre at Nagothane Manufacturing division . Visualising environmental concerns, Reliance industries have ventured into solid waste management too. It has assisted in building a 900-metre road using 5% plastic waste in various loations of Gujarat. Furthermore, for the development of rural infrastructure, it has undertaken 797 works in 760 beneficiary villages of 125 talukas in Gujarat. Continuing with the services and keeping up the tradition, Hazira, Vadodra, Nagothane, Gadimoga and many other manufacturing divisions offer training programmes through various SHGs, thereby, helping the rural women and the youths to be "self-sustaining" and generating income for themselves and supporting their families. It has also initiated work in the area of construction of community halls, burial ground. RIL continues to support the social, educational, cultural and spiritual activities of Shardapeeth of JagadguruShankaracharyaji, Dwarka. In terms of ensuring availability of water to the rural areas of Gujarat, it has extended financial assistance to Swajaldhara Scheme organised by Water and Sanitation Management Organization (WASMO), Government of Gujarat, for developing drinking water facility by laying pipeline in the neighbouring villages.

6.Challenges of CSR

Although CSR has gained emphasis in India, there are several issues challenging its

effectiveness and reach. A lack of proper understanding of the concept of CSR, non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. are some of the various challenges facing CSR initiatives. Absence of training and undeveloped staff is additional problems for reduced CSR initiatives. A survey conducted by Times Group survey elicited responses from participating organisations about various challenges facing CSR initiatives in different parts of the country revealed.

- ❑ **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. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

- ❑ **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 programmes, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is key to the success of any CSR initiative at the local level.

- ❑ **Non-availability of well-organized non-governmental organizations:** It is also reported that there is non-availability of well-organized nongovernmental organisations 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.

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 non-governmental organizations to involve themselves in event-based programmes; in the process, they often miss out on meaningful grassroots interventions

7.SUGGESTIONS

- ❑ In order to ensure that CSR is progressively contributing and benefiting, the following suggestions are given to make CSR initiatives more effective:

- ❑ It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective
- ❑ 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. It is recommended that 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 of all stakeholders involved in CSR initiatives.
- ❑ The role of SME and their contribution to CSR in India has to be emphasized upon to increase their contribution to CS initiatives .When compared to large corporations, SME play a limited role in CSR.SME have to be encouraged to positively contribute and reap the benefits of created by CSR
- ❑ Allocating finance for treating CSR as an investment from which returns are expected
- ❑ Monitoring CSR activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcomes.
- ❑ 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.

8. CONCLUSION

CSR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders, CSR has come a long way in India. It has successfully interwoven business with social inclusion and environment sustainability. 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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