



## Role of NGOs in CSR

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### ABSTRACT

Non- Governmental organization (NGO's) are private voluntary organizations, not for profits that function as "Moral Entrepreneurs" selling ethical ideals and standards. They have played major role in solving social and environmental issues from driving inter government negotiations, to regulation of hazards waste and elimination of slavery. With Corporate Social Responsibility (CSR) being made mandatory in the form of Section 135 of the Companies Act 2013, corporates have now begun to recognize CSR as a core activity, and are looking to find innovative ways to effectively utilize their CSR fund. This has brought to the fore the role that NGOs and other implementing agencies can jointly play along with corporates in order to achieve what is known as collective impact. This paper would discuss about the modes in which NGOs collaborate with corporates for implementation of their CSR programmes. The prime focus of this paper would be on the collaborative projects that corporates undertake in association with NGOs as a part of their CSR initiatives. This paper would highlight the role of NGOs in CSR with some real time examples.

**Keywords:** Corporate Social Responsibility, Non Governmental Organizations, Collaborative projects, CSR initiatives, Collective impact

### INTRODUCTION

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. In some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

The term "corporate social responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed.

### CSR IN INDIA

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the



communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realized then the CSR approach of corporates has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. 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. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

### **ABOUT NGOS IN INDIA**

A non-governmental organization (NGO) is any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to Governments, advocate and monitor policies and encourage political participation through provision of information. Some are organized around specific issues, such as human rights, environment or health. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Their relationship with offices and agencies of the United Nations system differs depending on their goals, their venue and the mandate of a particular institution.

In India, it was the 1970s which saw rapid growth in the formation of formally registered NGOs and the process continues to this day. Most NGOs have created their respective thematic, social group and geographical priorities such as poverty alleviation, community health, education, housing, human rights, child rights, women's rights, natural resource management, water and sanitation; and to these ends they put to practice a wide range of strategies and approaches. Primarily, their focus has



been on the search for alternatives to development thinking and practice; achieved through participatory research, community capacity building and creation of demonstrable models.

When we review some of the work done by NGOs over the past 3 decades, we find that they have contributed greatly to nation building. Many NGOs have worked hard to include children with disability in schools, end caste-based stigma and discrimination, prevent child labour and promote gender equality resulting in women receiving equal wages for the same work compared to men. During natural calamities they have played an active role in relief and rehabilitation efforts, in particular, providing psycho-social care and support to the disaster affected children, women and men. NGOs have been instrumental in the formation and capacity building of farmers and producers' cooperatives and women's self-help groups.

Recent years have seen a growing capacity of nongovernmental organizations to develop patterns of cooperation among themselves locally, nationally, and internationally, for consultation and exchange of information, or for joint action.

### **ROLE OF NGOS IN CSR INITIATIVES**

Although in general the majority of businesses are still in the early stages of developing collaborations with NGOs, a wave of companies both new and long- standing are taking the lead in bringing business' financial and human resources as well as a systems- approach to the job of bridging India's wide gap between rich and poor. Drawing on a historical precedent, these businesses recognize the pivotal role of businesses in nation-building and are building relationships with NGOs to create real change. However, sectoral stereotypes, a fierce short-term business climate and an under-capacity NGO sector are obstacles to greater scale and impact. A vital opportunity exists to achieve a step-change in India's inclusive growth and prosperous development by companies working much more extensively in partnership with civil society, NGOs and government.

Companies can use their business skills and acumen (for example through skills-based employee engagement) to build the capacity of the other sectors and work together to tackle some of the most pressing societal challenges. NGOs need to improve transparency to counter negative stereotypes and professionalize management processes, but they need business help to do this. The scene is set for visionary businesses to take advantage of the opportunity to use their unique trusted status to lead a collaborative effort with NGOs and government that capitalizes on the growth potential of India and creates a lasting legacy of equity and prosperity for all, that will ensure India achieves the status of a true superpower

### **EMERGING TRENDS IN BUSINESS-NGO PARTNERSHIPS IN INDIA**

- **Growing business demand for community programmes and engagement with NGOS**  
CSR initiatives in India are driven in part by the CSR guidelines that either compel state-owned companies or put pressure on non-state-owned companies and also derive from company-driven moral drivers to participate in the 'betterment of society'. Many companies have started up CSR departments and new community development programmes in the last few years and all see this as a growing trend. Whether initiating from external or internal drivers, the trend appears to be 'infectious' and is causing slow but incremental growth in business-NGO collaboration. There is a strong sense from companies that CSR and community involvement will soon be mandatory or considered 'essential' and that the years to come will see increased investment in organization and management in this area.



- **Innovative approaches from business, government and NGOs are emerging**

A new paradigm of ‘shared value’ or ‘inclusive business’ that sees business opportunities in development challenges has emerged. Building on the work of India’s CK Prahalad and the notion of the ‘fortune at the bottom of the pyramid’ this new phenomenon sees large Indian companies increasingly address social issues as business propositions, such as low-cost housing, healthcare and education solutions for bottom-of-the-pyramid populations. Examples of companies looking to understand underserved markets and develop appropriate products include Tata, Nokia, Godrej, DataWind, MCX, ICICI Bank, Hindustan Unilever and Airtel. Examples of social enterprises include LifeSpring Hospitals, HarWa and Selco. NGOs and government are adopting new approaches too, particularly in agriculture, green tech, skills and technology. Pratham, Naandi Foundation, Business Community Foundation and Bhavishya Alliance have all advanced approaches to engaging business in development. The National Skills Development Corporation was established by the government of India to find new, sustainable ways of supporting skills programmes in India at scale. Support services also now exist to support large companies who wish to explore this type of business activity such as the Business Innovation Facility, CII-ITC Centre for Excellence in Sustainable Development, WBCSD, NASSCOM Foundation, Accenture Development Partnerships, the International Business Leaders Forum and FSG.

- **Corporate foundations are leading strategic development**

India is unusual in seeing corporate foundations driving the shift from philanthropic giving to more strategic development, for example the ICICI foundation for inclusive growth, Bharti Foundation, The Paul Foundation and Tata Trusts. In many parts of the world a company foundation often becomes a way of outsourcing social responsibility, removing the need to make corporate operations more responsible. In contrast, in India, foundations have a greater legitimacy given the scale of social inequity and the amount of work to be done to bring about inclusive growth. There are many examples in India of companies separating how they make their money, from how they give back. But there are also examples in India of companies with strong values that underwrite the ethics and connectedness of the business, while their foundation maximizes the developmental impact of the company and pools resources and expertise. Ultimately, the leadership of each business must understand and communicate the interconnectedness of their company’s success with that of society at large. Given the scale of India, there is potential for foundations to make a large impact.

### **The collective impact**

With Corporate Social Responsibility (CSR) being made mandatory in the form of Section 135 of the Companies Act 2013, corporates have now begun to recognise CSR as a core activity, and are looking to find innovative ways to effectively utilise their CSR fund. This has brought to the fore the role that NGOs and other implementing agencies can jointly play along with corporates in order to achieve what is known as collective impact.

Firstly, the importance of collective impact has been made clear in the legislation itself, which calls for and encourages companies to utilise the expertise of non-profits with a credible work record of three years or more. An NGO’s interventions can be spread to geographies that a corporate has its presence in, while also being complemented by the corporate’s wherewithal, and as such the impact of the programme can be more widespread, as was seen with the association between Social Venture Partners (SVP) and Hand-in-Hand. Apart from providing funding to Hand-in-Hand’s fight against child labour, SVP’s IT expertise has helped in the establishment of a robust management information system (MIS) for the NGO’s operations.



Further, the legislation also allows the companies to collaborate with other corporates in joint initiatives that can achieve greater impact with more capital. One such collaboration that led to very effective outcomes is that of Bharti Airtel, Star Global Resources and IFFCO Kisan Sanchar Limited (IKSL) where they empowered the farmers by providing them information and services such as free voice messages and a dedicated helpline to interact with experts through a robust communication network. About 13 lakh active farmers under IKSL are benefitting from this initiative.

Another good example is the association between Save the Children (a non-profit organization) and global health care giant GlaxoSmithKline that are collaborating in an innovative initiative to transform an antiseptic (used in mouthwash) into a life-saving product for new-born babies. They have also come out with the powder form of an antibiotic that combats pneumonia, further demonstrating the value of mission-focused cross-sector collaborations in addressing and resolving needs.

As seen, collaborations and associations make for an effective business case with respect to achieving maximum impact for a given CSR capital investment. While there can be apprehensions and concerns raised on the ease of tracking data and progress amidst collaborations, the reporting requirements have ensured that the process is transparent with corporates having to disclose their funds spent in each collaboration.

NGOs on their part have never been better positioned than now to be the consumers of a large quantum of capital. The premise of companies wanting to associate with them in their efforts not only fuels their cause directly but also increases the visibility of their work, thus building trust and credibility for them.

In order to facilitate a conducive scenario for companies to associate with NGOs in their CSR initiatives, a comprehensive database enlisting all NGOs (that a corporate could choose from) and the work done by them could be a helpful tool. The Indian Institute of Corporate Affairs (IICA) is planning a series of activities and initiatives such as developing a national NGO hub, and setting up a collaborative projects CSR portal.

While implementation of Section 135 is still in its nascent stages with companies trying to get a hang of what needs to be done and how, collaborative projects may take a few years to come up and yield results. However, in the long run, in order to solve India's long term and large scale issues, it would be necessary for the industry to work towards collective impact which can make use of expertise and capacity required to achieve the desired outcomes.

### **Non-Governmental Organizations and Corporate Social Responsibility**

How far the Non Governmental Organizations in the nation can join hands with the corporate in their effort to social and environmental development is the prime concern of this article. The corporate social responsibility blends the objective of social development and environmental protection thorough ethical effort. Many non-governmental organizations in India are engaged in social development and environmental development activities. These organizations are good enough to support the industrial development by ensuring community participation the developmental process. The concept of corporate social responsibility is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Corporate Social Responsibility to be looked upon as mutual support programs that ensure development of community near by the industrial area with the expansion and development of the industrial organizations.



The community today needs external agency intervention in the alleviation of many social problems like poverty, health, unemployment, community education, homelessness and eco development programs. By looking upon the needs of the community, the organization gets an opportunity to understand the social needs of the people and it will enable them to intervene into such social issues and finding solution to the many basic needs. It develops greater trust and confidence on the community on the business organization effort in their real development. Integrated community investment strategies align internal community-related issues and link business goals with community needs. Here the role of Non Governmental Organizations can be better realized. The Non Governmental Organizations existing within the industrial location and closer to the community can better act as moderators and facilitators in the realization of their social need and better environmental protection. The industrial expansion is a threat to the people living nearby and it invites protest from many like consumer, investors, activist groups, government regulators and other stakeholders.

To develop a better rapport with the community in the implementation of the developmental activities the Non Governmental organizations can play better role with the industry and community. They can help the industrial management in convincing the expansion program to the community and there by develop a proactive and social environmental and industrial development policy. Lower operating costs, Enhanced brand image and reputation, Reduced regulatory oversight, Product safety and decreased liability, Improved financial performance etc are the benefit to the organization. The benefit of Corporate Social Responsibility not only for the community and organization but also for the employees. The Research demonstrates Corporate Social Responsibility initiatives have a positive impact on employee morale, motivation, commitment, loyalty, training, recruitment and turnover. Benefits in these areas have been found to improve the bottom line of companies. Three surveys across Europe, the USA and a survey involving 25 countries found employees felt greater loyalty, satisfaction and motivation when their companies were socially responsible. The impact of these HR initiatives gives better brand image to the organization in the labour market and it in turn help the HR department to get potential employees who believe in similar values system. The ultimate goal of such effort is the development of an 'organisational culture' which establishes harmonious relationship with the Community-Employee and Organization at large. This establishes that fact that many Corporate Social Responsibility initiatives reflect the essence of Human Resource Management activities.

### **Role of HR Managers in CSR**

If Non Governmental Organizations can play better role in the corporate social responsibility, the question here is, who can play better role in linking industry with community. The answer here is Human Resource Management Department of the industry. The HR managers should take lead in its effort to make a linkage between community and the industry. To develop better rapport with the people, HR managers have to make use of their Strategic Relationship Management Skills. They should interact with the community by establishing better linkage with the Non Governmental Organizations Working there in the locality. The HR managers can initially conduct Focus Group Discussion (FGD) with the community and community leaders with the help of Non Governmental Organizations and need evaluation and need prioritization is to be conducted. Here HR managers can act as facilitators in the Corporate Social Responsibility initiatives. The community may have unlimited social needs. It is the responsibility of the HR managers to intervene into those needs and give a realistic perception to the community members related to their unlimited and unrealistic needs. The needs of the community to be segregated into important and important needs, to unimportant and unimportant needs. Both short-term goals and long-term goals are to be segregated. The discussion to be entertained and the need categorization and finalization should come from the community itself. The HR managers who act as the implied leaders should lead the community towards realistic goal perception that integrate the goals and objectives of Corporate Social Responsibility programme initiated by the organization. This indicates that as leaders of the Corporate Social Responsibility



programme HR managers should integrate the needs of the community and that of the organization. The list of social development needs and the environmental protection needs to be discussed soon after the Focus Group Discussions, with the top management in order to ascertain whether all those needs can be met with the budget allotment for the developmental programs. A multi level discussion, with members of the NGO's, HR managers and representative of the Top Management, is to be initiated for the finalization of the social intervention programme. Corporate Social Responsibility offers the HR community opportunities to demonstrate its strategic focus. The relationship with the community and NGOs indicate the level of HR manager's success role in the Corporate Social Responsibility effort.

## CONCLUSION

In the past, the role of a corporate has been understood in terms of a commercial business paradigm of thinking that focuses purely on economic parameters of success. However, over the past few decades, thanks to globalization and pressing ecological issues, the perception of the role of a corporate has undergone a sea change. Stakeholders today are redefining the role of corporate, taking into account the corporate responsibility beyond economic performance-its role towards social and environment. A corporate social responsibility is really about building sustainable businesses.

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