



CORPORATE SOCIAL RESPONSIBILITY IN TOURISM INDUSTRY: A PARADOX BETWEEN THEORY AND PRACTICE

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ABSTRACT:

The legal obligation bestowed upon the services and product sectors to fulfill the social obligation is technically termed as Corporate Social Responsibility. Often it is seen that either this responsibility is a marketing gimmick or a way of earning more money. The obligation is fulfilled only on pen and paper. This research article aims to view how the Tourism Industry is carrying out the CSR practices with respect to hotels and other sectors and whether the facts and figures match with the ground reality or not. The researcher aims to draw conclusion and suggest methods to curb the drawbacks in the sector.

KEYWORDS:

Corporate, Tourism, India, Practices, Paradox, Provisions, Obligation

"If the facts don't fit the theory, change the facts"- Albert Einstein

Introduction:

The above statement of Sir Einstein is a direct connotation that why there exists a paradox between the theory and practice of different essential ingredients of a particular industry. The corporate social responsibility is a very essential feature in the corporate sector mandated as a compulsory incorporation under the Companies Act, 2013. The central Government of India has taken initiative to incorporate this particular mechanism as a compulsory obligation of all the corporate identities. Nonetheless, Tourism Industry is a flourishing Industry in the world as well as India. Tourism sector has contributed a lot in the growing GDP of India. Very naturally the concept of Corporate Social Responsibility is mandate for this Industry too. Since it being the prominent contributory to the GDP, the expectation to be a similar contributory to the society in terms of CSR is huge. Now in order to live upto the expectations there have been various regulations, policies and governance in this

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Industry too. However with expectations comes the sense of responsibility to approach to it. The paradox lies here as to whether the theory and practice which can also be termed as the fact and reality whether they match together or not. This research article aims at a proper introspection to view and analyse this paradox and also aims at suggesting certain measures to bridge the gap created by this paradox.

Corporate Social Responsibility-A Retrospect:

The history of CSR in India runs hand in hand to the historical development of India. CSR has evolved in phases like community engagement, socially responsible production, and socially responsible employee relations. Therefore, the history of Corporate Social responsibility in India can be broadly divided into four phases:

- **First Phase-** Till 1850, the wealthy businessmen shared their riches with the society by either setting up temples or religious institutions. In times of famines, they opened their granaries for the poor and hungry. The approach towards CSR changed with the arrival of colonial rule in 1850. In the Pre-independence era, the pioneers or propagators of industrialization also supported the concept of CSR. In the 1900s, the industrialist families like Tatas, Birlas, Modis, Godrej, Bajajs and Singhaniyas promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. It may also be interesting to note that their efforts for social benefit were also driven by political motives.
- **Second Phase-** The second phase was the period of independence struggle when the industrialists were pressurized to show their dedication towards the benefit of society. With the urges of Mahatma Gandhi to the powerful industrialists to share the wealth with the underprivileged for the benefit of the society. This concept thrusted the *theory of Trusteeship*.
- **Third Phase-** In the third phase from 1960-1980, CSR was influenced by the emergence of Public sector undertakings to ensure the proper distribution of wealth. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. This led to the enactment of legislation regarding corporate governance, labor, and environmental issues. there was a natural shift of expectation from the public to the private sector and their active involvement in the socio-economic growth. In 1965, the academicians, politicians, and businessmen set up a national workshop on CSR, where great stress was laid on social accountability and transparency.
- **Fourth Phase-** From 1980 onwards, Indian companies integrated CSR into a sustainable business strategy. With globalization and economic liberalization in the 1990s, and partial withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the increased momentum in industrial growth, making it possible for the companies to contribute more towards social responsibility. What started as charity is now understood and accepted as a responsibility.²

However, the concept of Corporate Social Responsibility was not recognised under the *Companies Act, 1956*. No mandatory provision was made at that time for the corporation to uphold such concept or participate in such activities. However after the Amendment of the same legislation in the year 2013, the same CSR was made mandatory and companies are now forced to participate as well as promote such activities.

² Saloni G. Evolution of Corporate Social Responsibility in India, available at: <https://legumvox.in/evolution-of-corporate-social-responsibility-in-india/> (Retrieved on 16th July, 2022)

CSR in Indian Tourism Industry- A Grim Look:

Ravi Bhushan and Mukesh Kumar of Kurukshetra University have identified in their research article titled, Corporate Social Responsibility in Indian Tour Operation Industry, published in the International Journal of Hospitality and Tourism Systems, Vol. 11, Issue 2 published in the year 2018, have identified the practices of CSR and categorised them in various heads. The categorisation refers to the vivid picture of the CSR activities in the Indian context in the Tourism Industry.³

The classification are as follows:

1. CSR practices related to customer-

- i. Provide all customers with very high quality service.
- ii. Provide all customers with the information needed to make sound purchasing decisions.
- iii. Satisfy the complaints of all customers about the company's products or services.
- iv. Adapt products or services to enhance the level of customer satisfaction.
- v. Charge all customers with fair prices.
- vi. Consumer awareness campaign.
- vii. Consulting service & complaint management.
- viii. Provide benefits to budget tourists.

2. CSR practices Related to employees-

- i. Provide fair compensation to all employees.
- ii. Reward employees for best performance.
- iii. Suitable working environment & conditions for employees.
- iv. Support all employees who want to pursue further education.
- v. Incorporate the interests of all employees into business plans/decisions.
- vi. Treat all employees with respect & dignity regardless of gender or ethnic background.
- vii. Help all employees to maintain balance between professional and family life.

3. CSR practices related to natural environment-

- i. Incorporate environmental performance objectives in organisational plans.
- ii. Measure the organisation's environmental performance.
- iii. Financially support environmental initiatives.
- iv. Use of clean energy.
- v. Support tree plantation.
- vi. Sustainable products & services.
- vii. Voluntarily exceed government's environmental regulations.
- viii. Preserving natural resources like soil & water conservation.

4. CSR practices related to local community-

- i. Support welfare of children and the empowerment of women.
- ii. Give money to charities in the communities.
- iii. Help to improve the quality of life in the communities.
- iv. Financially support community activities (arts, culture, sports, literacy/education, skill development).

³ Ravi B, Mukesh K (2018). Corporate Social Responsibility in Indian Tour Operation Industry. *International Journal of Hospitality and Tourism Systems*, 11(2), 86-87.

- v. Financially support education in the communities.
- vi. Support housing for vulnerable people in the community.

5. CSR practices related to destination-

- i. The responsible use of natural & cultural tourist resources.
- ii. Infrastructure development at the destination.
- iii. Financial support in the rejuvenation of local arts & crafts.
- iv. Cleanliness campaigns at the destination.
- v. Supporting cultural fairs & festivals.
- vi. Minimization of pollution and waste at the destination.
- vii. Fair use of products & services at the destination.

6. CSR practices related to shareholders-

- i. Incorporate the interests of all investors into business decisions.
- ii. Provide all investors with a competitive return on investment.
- iii. Seek the input of all investors regarding strategic decisions.
- iv. Meet the needs and requests of all investors.
- v. Sustainable growth & long term profitability of investor's fund.

7. CSR practices related to government-

- i. Company comply with law.
- ii. Cooperation with governments.
- iii. Contribution to government revenue by paying taxes honestly.
- iv. Contribution to Govt. exchequer.

8. CSR practices related to suppliers-

- i. Develop strong relationship with local suppliers.
- ii. Offer all suppliers of products and services some price guarantees for the future.
- iii. Involve all suppliers in new product or service development.
- iv. Inform all suppliers of products and services about organisational changes affecting purchasing decisions.
- v. Collaboration with supplier in regard to CSR practices.

Theory And Practice- The Paradox:

CSR evolved as a response to the stakeholder's need for transparency in regards to the actions of their corporations. Many organizations responded by initiating programs within their HR departments to support charitable actions of their employees. Companies encouraged employees to volunteer their time to the services of society and the company would use these actions as a positive relations plug. 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.⁴

⁴ Khanna, P., & Gupta, G. (2011). Current state of CSR in India. Retrieved from https://en.wikipedia.org/wiki/Evolution_of_corporate_social_responsibility_in_India.

Many companies CSR efforts, however, are less than effective because they do not take into consideration their goals and strategies and instead are generic and fragmented activities. Too many of CSR programs are simply public relations campaigns that do not necessarily have anything to do with how the business is operated.⁵

Although the top brand hotels take up initiatives of supporting various NGOs such as Goonj, Paalna, etc. Such NGOs deal with the development of children and are supported by the Oberoi Maidens, New Delhi. On the other hand, ITC Maurya supports Membrane Bio Reactor and contributes to waste management and water filtration. The Leela Palace supports terminally ill cancer patients through Shanti Avedna Sadan and also Godhuli which is an old age home.

However the success stories cannot hide the failures of CSR in Tourism Industry in India. ISB conducted this study during FY 2015-17 and studied 1,210 firms, of which family firms comprised 87% and the rest were non-family companies. It also studied 16,470 projects. The study cited the lack of a monitoring mechanism and the fact that companies were given considerable leeway through the 'comply or explain' approach by the government for the rampant non-compliance of the CSR law in the past. The outlook towards CSR is still at a very nascent stage in the Tourism Industry. Mostly because there have been very negligible research in this arena. Moreover the lack of proper check and balance system. Just merely implanting a system do not render the Government free from its responsibility. It needs to look at the proper execution of the implanted seed. The datum, the connotations are mostly false and never put forward by the person in charge. However it will be wrong to state that there have been no initiative taken in the Tourism Industry for the development of CSR. Since ISO standards and EMAS certification are comprehensive processes and require extensive resources, they are often not suitable for small and medium sized tourism businesses. Besides these comprehensive management schemes, tourism businesses have a number of certification schemes and quality labels for environmentally and socially responsible tourism available. These certification schemes and quality labels are voluntarily adopted by tourism businesses and introduce social responsibility criteria and formalized processes into a corporation's business activities. There are two basic types of certification schemes:

1. Dynamic, process oriented schemes that aim to continuously improve the CSR performance of a company without requiring a certain minimum value to be achieved for target indicators; and
2. Static, result-oriented schemes that measure the achievement of predetermined indicator values.

Today, most certification schemes contain a mix of both approaches. The current landscape of CSR certification schemes and eco-labels for tourism businesses is characterized by a large number of competing schemes and complexity. A large number of eco-labels focused on the accommodation sector are used in Europe. These certification schemes focus mostly on environmental indicators, and systems incorporating aspects of social responsibility are still rare.⁶

⁵ Porter, M., & Kramer, M. (2006). Strategy & society: The link between competitive advantage and corporate social responsibility. Harvard Business Review, 84(12), 78-92.

⁶ Dagmar LD, Corporate Social Responsibility in Tourism. <https://www.researchgate.net/publication/300332802>(Retrieved on 17th July, 2022).

Critical Analysis-The Researcher's View:

The main concern with the implementation of the CSR practices in the Tourism Industry is that the facts and figures are delusive. And without the facts and figures it cannot be termed that whether there is a scope of CSR or not. Most practices of CSR are just merely kept as a record on pen and paper and not implemented as it should have. The Tour guides are needed to get approval from Travel Agents Association of India(TAAI) and also for foreign air travels the approval from International Air Transport Association (IATA) is needed. But most of them do not seek such approval and neither get hold of any vigilance. The policy of *Atithi Devo Bhava* seeks to render the social security and also proper accommodation in India to foreign tourists so that they will not feel threatened. However every now and then there are reports of attacks, crimes and money laundering of foreign tourists coming to India. Even domestic tourists face the same problem when they travel within the country.

Hotels that showcase their CSR activities actually draw funds from the guests and thereby increase the cost of the rooms and services which actually should not be the case. As per the provisions of Companies Act, 2013 which mandatorily imposes CSR states that there should be 2% of contribution to the society from the Net Profit Worth of the sector. This Net Profit is based on the income of the Previous Year for which the Tax had already been paid. So there's no question to increase the cost based on this ground.

Conclusion:

The herculean task to solve such paradox is because the corruption of the executors. The policy makers have made the mandatory provision and left it in the hands of the executors whereby they are responsible in executing the methods of CSR. They are concerned about giving a report at the end of the year that they have abided by the mandatory provisions but there is the absence of proper vigilance about it. The customers to be precise the Tourists are not even aware of the very term of corporate social responsibility. Thus they are not concerned about the practices implemented.

Thus it is suggested that there should be an independent committee working on behalf of the Government of India to observe the practices and their implementation which shall function diligently and not being corrupt.

It is also suggested that there should be proper fund for the execution of the CSR practices and that fund should be properly audited.

It is further suggested that the tourists in particular and other customers/consumers in general should be made aware of the fact that CSR is not a myth but a proper mandatory provision for the concerned sector to be followed.

Only then it can be said that the reality check of the implementation of the CSR is done thoroughly and thus the paradox can be reduced or minimised.