Review of Corporate Social Responsibilities in India

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ABSTRACT:

Corporate Social Responsibility (CSR) refers to the responsibility of companies to contribute to the economic, social and environmental well-being of society. In India, CSR has evolved from voluntary philanthropic activities into a structured corporate responsibility framework. The introduction of Section 135 of the Companies Act, 2013 made India one of the first countries to provide a statutory framework for CSR spending by qualifying companies. Critics argue that Corporate Social Responsibility (CSR) is a North-led agenda with a narrow focus. We had applied a development-oriented framework to contextualize CSR to structural adjustments-related macro socio-economic issues relevant to the developing countries, with a focus on CSR in India. They review contemporary CSR trends in India concluding that although its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth, CSR has become an important part of corporate governance and sustainable development. Indian companies are expected to contribute to social welfare through activities relating to education, healthcare, environmental protection, rural development, skill development and other areas. India is one of the first countries to make CSR expenditure a statutory corporate requirement. The provisions relating to CSR were introduced through the Companies Act, 2013.

KEYWORDS:

business, economic reforms, structural adjustment, philanthropy, public policy.

Introduction:

The concept of social responsibility of business – popularly termed Corporate Social Responsibility (CSR) – is by no means a recent phenomenon, but many observers agree that globalization has spurred its growth and prominence. The notion of CSR, which now dominates thinking about corporate behaviour among a section of academics and practitioners alike, is prevalent in the US and lately, Aaronson (2002) argues, Europe has taken the lead in shaping global CSR debates. Corporate philanthropy – regarded as the earliest manifestation of CSR – is no longer considered an adequate response to demands for social responsibility. The term CSR includes environmental, social and human rights–based impacts and initiatives of companies (Ward and Fox, 2002), and many countries in both industrialized and the third world take the concept and practices seriously (Hopkins, 2003). The definition of CSR, therefore, is still being debated and there is no consensus among academicians or practitioners (Mohan, 2001). Ward and Fox (2002) argue, whatever the language used, the basic idea is to understand business as part of society – not somehow separate from it. CSR has become an important component of corporate governance and sustainable development in India. The Companies Act, 2013 significantly strengthened the institutional framework for CSR. Going forward, Indian companies should focus not merely on fulfilling the statutory spending requirement but on creating measurable, sustainable and community–oriented social impact. Greater emphasis on impact assessment, transparency, stakeholder participation and alignment with the Sustainable Development Goals (SDGs) can further strengthen CSR in India.

CSR Framework in the Development Context:

South and South–East Asian Countries have seen many institutional changes, particularly with regard to the economic sector (Goyal, 1996). This has been influenced by free market policies pushed by the US and some multilateral financial institutions, the fall of Communist regimes in the East, and the internal dynamics of these economies. The processes of corporate–led globalization have led to the state being moved out of the productive sphere to the protective sphere. The stabilization and adjustment policies followed by governments in the region have moved broadly along the following directions:

- Substantial (and progressive) reduction in direct state control in terms of administered prices, regulation of economic activity.
- Privatization of state assets, often in controversial circumstances.
- Rationalization of direct and indirect tax rates.
- Reduction of fiscal deficits, which usually involved cutting back on public productive investments as well as certain types of social expenditures, reducing subsidies to farmers and increasing user charges for public services and utilities.
- Trade liberalization, involving shifts from quantitative restrictions to tariffs and typically sharp reductions in the average rate of tariff protection.
- Movement to market–determined exchange rates and liberalization of current account transactions and capital account liberalization, including easing rules for foreign direct investments, allowing non–residents to hold domestic financial assets, and providing easier access to foreign commercial borrowing by domestic firms.

This has led to:

- Increasing income inequalities with disparities across classes as well as regions.
- Deceleration of employment generation, compared to previous periods, even in cases where there has been some economic growth.
- Differential gender–based change in the employment sector.

However, there does not seem to be a major change in the work profile or situation of women.

- Decline of manufacturing in the SME sectors.
- Decline in the quality of employment, with increased casualization and part–time work. Real wages have also not risen while the wage share of income has declined showing a redistribution of income from labour to the investor.

Recent Economic and Social Development Trends and Issues in India:

With an ambitious target of a double–digit growth of gross domestic product (GDP) and the second generation of economic reforms underway, the Government of India's foreign exchange reserves passed the US$ 1 billion mark in 2003. Corporate India is now riding on a wave of new found confidence (Shourie, 2004). India's GDP, post–liberalization process that began in 1991 – led by the services sector which now accounts for 49 percent of the economy – saw a high growth during the decade (ADB, 2003). The private sector in India now accounts for 74 percent of GDP and 71 percent of total investments (ADB, 2003). The market capitalization of companies listed on the Bombay Stock Exchange soared to US$ 197 billion from US$ 77 billion since 1991 (Purie, 2003). There are over a dozen Indian companies operating globally – a phenomenon unheard of before the 1990s (ADB, 2003). The companies in India are said to be more professional in their approach, follow best practices and keep a global outlook (Business Today, 2003), hence are competitive in the global economy.

The Asian Development Bank's India Country Strategy Programme 2003–2006 states that India is a fast–growing economy and the poverty incidence in India declined from 36 percent of the population in 1993–1994 to 26 percent in 1999–2000. This decline in poverty is primarily attributable to the economic growth in the decade of the 1990s. At the same time, ADB (2003) paper argues that poverty is multi–dimensional, and the data on income–poverty does not capture trends in human–poverty, which reflects deprivation in other dimensions of the quality of life.

The ADB (2003) paper presents some indicators of human–poverty – despite all its growth, India is ranked at 124 out of the 173 countries for the human development index. The gender equality index, though improved from 62 percent, is still at 67.6 percent, and the sex ratio in the 0–6 years age group continues to decline. The infant mortality rate and maternal mortality rate remain high and about 51.8 percent of women are anaemic. India's performance in attaining the Millennium Development Goals (MDGs) is mixed, with the country lagging behind the MDG targets, among others, on enrolment. The deprivation also contributes to the increasing incidence of trafficking in women and children and of HIV/AIDS, and other sexually transmitted diseases (ADB, 2003).

High unemployment with inequity in distribution of wealth and opportunity, lower access and standards of health, education, nutrition, sanitation, safe drinking water and the like are crucial challenges for India, as for many developing countries. Chaudhuri (2001) has quoted the Government of India's Discussion Paper (Economic Reforms: Two Years After and the Tasks Ahead) of 1993: "The fundamental objective of economic reform is to bring about rapid and sustained improvement in the quality of life of the people of India. Central to this goal is the rapid growth in incomes and productive employment" (Chaudhuri, 2001: 8).

However, analysis of economic reforms in India argues that the expectations from economic reforms have not had much success, as the decline in incomes and employment continues unabated. The largest employer, agriculture, has not fared well; organized manufacturing is experiencing structural transformation and even where growing, is doing so without adding jobs. Employment growth in services involves only those with formal skills and education and the informal/unorganized sector jobs, the mainstay of the less well off, offer little by way of quality earnings and security. With public, including government, sector jobs on the decline, we are experiencing jobless growth (Seminar, 2004).

Historical Aspects of CSR in India:

Unlike western capitalism, businesses in Asia are part of a social welfare philosophy embedded in corporate philanthropy (Mohan, 2001). Some families from traditional merchant communities pioneered indigenous industrialization in India in the late 19th century and participated not only in the freedom struggle but in the nation–building process thereafter.

Preceding the independence of India, in 1944, a set of concerned industrialists came out with a development plan for India called the Bombay Plan (Srinivasan and Tendulkar, 2003). During the 1950s/1960s, Narayan (cited in IIC, 1966) stated, influenced by the Gandhian philosophy of trusteeship – an ancient idea revived and reinterpreted by Mahatma Gandhi – most of the businessmen in India saw their business empires as a trust held in the interest of the community at large. Businesses made significant contributions to support schools, colleges and hospitals and emphasis later shifted to supporting technical training, public health and rural development (Mohan, 2001). Also, post–independence, with a mixed framework, India experienced the elements of state–sponsored CSR activities through large public sector companies.

As the Indian economy moved from agrarian to industrial, concerns were raised about the consequences of economic growth with an innate tendency to be imbalanced (Mohan, 2001). The importance of businesses' social responsibility to multi–stakeholders was emphasized at a high–profile seminar in Delhi and a declaration adopted stated that the social responsibility of an enterprise is responsible to itself, its customers, workers, shareholders and the community (IIC, 1966).

The emergence of non–family–owned businesses in the 1960s and 1970s also saw an increase in the numbers of trusts set up by businesses (Mohan, 2001). Changes in India's economic paradigm in the 1990s significantly affected the corporate sector, bringing freedom from controls and increased roles. Shrivastava and Venkateswaran (2000) state that most corporations agree that this newfound freedom carries with it social responsibilities.

CSR Trends in India as Emerge from Recent Surveys:

In the past few years, some surveys have been conducted in India by different organizations to understand the perception of CSR among companies and their different stakeholders, and to define the drivers and barriers of CSR in India. Some of the prominent surveys include Corporate Involvement in Social Development in India by Partners in Change (PiC), Altered Images: The 2001 State of Corporate Responsibility in India Poll by Tata Energy Research Institute (TERI), Corporate Social Responsibility: Perceptions of Indian Business by Centre for Social Markets (CSM) and Corporate Social Responsibility Survey 2002 – India presented jointly by PricewaterhouseCoopers.

The third and most recent survey was conducted by Partners in Change (2004). The previous two surveys were conducted in 1996–1997 and 1999–2000. The findings of the latest survey from a sample of 536 companies across India reveal that philanthropy is the most significant driver (64 percent) of CSR, followed by image building (42 percent), employee morale (30 percent) and ethics (30 percent) respectively. The 2004 survey findings present a marked increase in the number of companies developing and adopting a CSR Policy as against the earlier findings in 1999 and 2000. At the same time, the survey also shows that the initiator of a policy across types of companies is largely the CEO, except in the case of public sector undertakings where the government policies determine the need to develop a CSR Policy (Ghosh, 2003).

The perception about the role that companies have to play in CSR activities has increased as compared to PiC's previous surveys of 1996–1997 and 1999–2000. The survey report suggests that this may be attributed to enabling corporate CSR activities with specific reference to the Indian context. As in previous surveys, beliefs in the company's role in CSR activities showed a direct relation with the age and turnover of the company as older companies with greater turnover were most likely to believe in their role in CSR activities.

The report of the TERI snapshot poll conducted in 2001 traced the CSR history in India and suggested the existence of the following four models of corporate social responsibility. Also, the TERI poll report that explored the perception and expectations of some stakeholders vis–à–vis workers, company executives, and the general public, showed that Indians in general feel businesses must play a wider and expansive role in society and besides providing quality products at reasonable rates, should strive to make their operations environmentally sound, adhere to high labour standards, reduce human rights abuses, etc. The report however, also revealed that Indians are not yet judging companies according to these criteria, and the public opinion is still focused on brand–quality and reputation of companies. International survey findings of July 2001, confirming this argument, claim that the demand for CSR is low in India.

The Centre for Social Markets (CSM) survey of July 2001 explored perceptions of and attitudes towards corporate social and environmental responsibility of modern Indian business covering a wide range of businesses in terms of size, sector and geographical location. The survey report claimed that the government with unclear policies, ineffective bureaucracy, poor monitoring record, complicated tax systems, and poor infrastructure was the key barrier to CSR in India (Prakash–Mani, 2002).

The CSR survey conducted in 2002 by the British Council revealed that many companies are still steeped in an amalgamation of transition from the trusteeship/ethical model to the statist model, and highlighted growing recognition among companies that passive philanthropy is no longer sufficient in the realm of CSR (British Council, 2002).

In yet another research project commissioned in 2003 by the India Committee of the Netherlands (ICN) and carried out by Consultancy and Research for Environmental Management (CREM) in the Netherlands and Partners in Change in India, they interviewed Dutch companies and their Indian counterparts along with some partially. Although most of the Dutch multinationals do have a policy or codes of conduct on the issue, their Indian daughter companies normally are not engaged in developing a CSR Policy. The Indian operations of the Dutch companies lack monitoring of the policy implementation and companies generally do not check if the production in the sub–contracting chain follows the internationally agreed labour and other human rights and environmental standards (CREM, 2004).

Suggestions:

The effectiveness of CSR in India can be improved through:

- Greater community participation in CSR planning
- Better monitoring and evaluation of projects
- Greater emphasis on measurable social impact
- Increased transparency in CSR expenditure and outcomes
- Collaboration among companies, government, NGOs and local communities
- Greater focus on rural economically backward regions
- Adoption of long–term CSR programmes instead of one–time donations
- Use of technology and data analytics to monitor CSR projects.

Conclusions:

There are, appreciably, several cases of companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, micro–credit and women empowerment, arts, heritage, culture and conservation of wildlife and nature, etc. However, given the economic progress and increase in corporate profits on the one hand, and the reality of human–poverty and development indicators in India on the other, analysis of the surveys quoted suggests that though many companies in India have taken on board the universal language of CSR, CSR seems to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are merely philanthropy or an extension of philanthropy. It has emerged as an important instrument for achieving inclusive growth and sustainable development in India. The Companies Act, 2013 provided a formal framework that encouraged companies to contribute systematically to social and environmental development. Greater emphasis should be placed on quality, transparency, community participation and measurable impact. Effective CSR can create a balance between corporate profitability, social welfare and environmental sustainability.

Creating trusts and foundations seems to be a favourite route of CSR practice by Indian companies, but largely such trusts and foundations work at an arm's length from the company preventing the mainstreaming of CSR into the core business processes and limiting CSR to community development only.

Nearly all companies with CSR embedded in the core corporate activity do so because of company tradition rather than a company strategy leading to and largely CEO–driven CSR policy. While the surveys reveal various business practices in CSR, many questions remain to be asked:

- Do the businesses have a responsibility to occupy the development space vacated by the state in order to fulfill the

Indian constitution's promises to its citizens?

- Should CSR be driven by the business case all the while or do ethics that demand business sensitivity to inequities gain currency?
- Should CSR go beyond individual business actions to a larger collective lobbying mode for social good?

It seems that CSR in India has been evolving in the domain of profit distribution only. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice. CSR from this perspective is both external and internal to a business with the following causal links:

Category	**Equitable Development**	**Good Business Practice**
External	Reducing gaps between haves and have–nots in community	Adding shareholder value (either directly/indirectly)
Internal	Reducing gaps between classes within stakeholders like labour, suppliers, consumers, etc.	Adding ethical value

If CSR is to be more meaningful and make a significant contribution to development, CSR needs to address some challenging issues as raised by Peter Utting (2003) in the context of TNCs:

- What are the actual or potential development problems and contradictions associated with the CSR, as currently constituted?
- Are the investment and competitive strategies of companies, as well as their lobbying and fiscal practices, compatible with basic development objectives?
- Does the CSR agenda really respond to the development needs, concerns and priorities of workers, communities and firms in developing countries?
- Are these and other Southern actors effectively shaping the

CSR agenda?

- Is CSR working for or against democratic policy–making, regulatory and planning processes in developing countries?

These issues will have to be addressed for CSR to be more than just public relations and ad–hoc community development initiatives in developing countries.

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