CORPORATE SOCIAL RESPONSIBILITY IN INDIA: “Crossing the Bridge from Knowing to doing”

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Abstract: The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on the leadership role in the challenges of our times. It is recognized, world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also improves business sense as companies with effective CSR, have image of socially responsible companies and their products and services are preferred by the customers.

Key Words: CSR, Development, Public, Companies, Products, Customers.

1. Introduction:

“Successful people have a social responsibility to make the world a better place and not just take from it.”

Carie Underwood¹

One of humankind’s greatest challenges in this country is to ensure sustainable, just and balanced development. The need of current and future generations cannot be met unless there is a respect for natural system and international standards protecting core social and environmental values. In this context it is increasingly recognized that corporations whether public or private draws so much from the society and if it actually draws so much, it has to make its own contributions to the society as well, as business can only flourish when the communities and the ecosystem in which they operate are healthy.

India is known, as a country of myriad contradictions. On the one hand, it has grown to be one of the largest economies in the world, and an increasingly important player in the emerging global order; on the other hand, it is still home to the largest number of people living in absolute poverty and the largest number of undernourished children. What emerges is a picture of uneven distribution of the benefits of growth which many believe, is the root cause of social unrest. So the basic ideology behind Corporate Social Responsibility (CSR) is that it goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into the governance of businesses ensures long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also improves business sense as companies with effective CSR, have image of socially responsible companies and their products and services are preferred by the customers.

According to Corporate Social Responsibility Asia, in Asian sustainability ranking, India ranked fourth in the line topped by Australia.³ Thus, Corporate Social Responsibility India is a leading social enterprise that focuses on sustainable business practices in Asia.

¹ Carrie Marie Underwood is an American singer, songwriter, and actress.
1.1 Definition by World Bank Group -

“Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the community and society at large, to improve their lives in ways that are good for business and for development”.⁴

1.2 Definition by European Commission:

European Commission defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”.⁵

1.3 Definition by World Business Council for Sustainable Development -

According to World Business Council For Sustainable Development in its publication “making good business sense” by Lord Holme and Richard Watts used the following definition:

Corporate Social Responsibility is “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”.⁶

1.4 According to Dr. Manmohan Singh (ex-prime minister of India),

“corporate social responsibility is no philanthropy. It is not charity. It is an investment in our collective future”.

The simplest and the most significant definition of Corporate Social Responsibility was given by Mahatma Gandhi – who said:

“wealth created from society has to be ploughed back into society”.

In short, CSR can also be termed as Corporate Organizations to behave responsibly.

2. From Small Beginnings; Big Things Grow- Traces of Social Responsibility since Ages:

In a society bound by caste and fate, the idea of responsibility for the whole of society constituted cultural revolutions caused by foreign influences. This started with first century AD with St Thomas (the disciple of Lord Jesus who came three separate times in India and was eventually killed in what is now Chennai), through the impact of Islam from the seventh century onwards, as well as outstanding later missionaries such as William Carey in the 18th, James Long in 19th century, and CF Andrews in the 20th century.⁷

The development of CSR concept has gone through several transformations but from the very beginning it was based on the assumption that business has moral obligations to society. In the light of the theory propounded by Kant we used to treat morality as a voluntary domain though extremely important when functioning of the society as a whole is concerned. Corporate Social Responsibility is not a new concept in India. From the Vedic ages we have seen a reflection of business responsibility towards society. In the very beginning of Vedic preaching we read about “Sah Navavtuh Ma Vidvishavhe”, ⁸ which means, "May we together shield each other and may we not be envious towards each other”.

Business in ancient India was seen as a legitimate, integral part of society. The core function of business was to create wealth for society through manufacturing, selling, distributing their offerings. It was based on an economic structure that believed in the philosophy of “Sarva loka hitam” which means “the well-being of all stakeholders. India has a long tradition of paternalistic philanthropy.

The last decade of the twentieth century witnessed a shift in focus from charity and traditional philanthropy toward more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. In India, there is a growing realization that business cannot succeed in isolation and social progress is necessary for sustainable growth. An ideal CSR practice has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well socio-economic status.9

3. Corporate Social Responsibility – The Indian scenario:

Corporate social responsibility is one such niche area of corporate behavior & governance that needs to get aggressively addressed and implemented tactfully in the organizations and it is particularly significant for developing countries like India, where there are limited resources for meeting the ever growing aspirations and diversity of a pluralistic society which makes the process of sustainable development more challenging and it has been rightly said that unless poor people have equity in the growth of economy, India can never achieve the title of super economy.10

So, it would not be wrong to say that the CSR regime in India is in a nascent stage and there will be hitches, and a lot of fine tuning will be required before we hit the perfect balance. What is commendable is the spirit with which India has made her corporates socially responsible and in that, led the world’s most developed nations.

So, under this backdrop, recently India took a major Step towards Adopting Mandatory CSR Policy and here it is to be noted that India has become the only country in the world with legislated CSR and a spending threshold of upto $2.5 billion (Rs15,000 crore).

3.1 Corporate Social Responsibility as per Indian New Companies Act, 2013

With the introduction of Companies Act 2013 along with clause 135, India has become the first country to introduce statutory provisions with respect to Corporate Social Responsibility. On August 8, 2013 by passing the Companies Act 2013 along with Clause 135, India gave wings to its dream of converting billions of cash reserves available with the companies into development as it aims to improve corporate governance, simplify regulations, enhance the interests of minority investors and for the first time legislates the role of whistleblowers.

The ministry of corporate affairs (MCA) has notified Section 135 and Schedule VII of the Companies Act, 2013, and it states that, Indian companies now will have to spend 2 per cent of their three-year average annual net profit on CSR activities in each financial year, starting from FY15 and these norms apply to companies with at least Rs 5 crore net profit or Rs 1,000 crore turnover or Rs.500 crore net worth.11

The permitted corporate social responsibility activities as per schedule 7 of Companies act 2013 ranges from Eradication of poverty and hunger, promotion of education, Gender Equality, Empowering Women, Improving maternal health, Contribution to the Prime Minister’s national Relief Fund or any other fund set by the Central Govt. or the State Governments for socio-economic development and relief and funds for the welfare of schedule castes and schedule tribes, or other backward classes, minorities and women and many more activities on the list.

I. Besides that, In India, Ministry of Corporate Affairs (MCA) in 2011 have released National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business12 after taking into account the governance challenges faced in our country as well as expectations of the society.

II. Indian Legislations taking care of Corporate Social Responsibility -

So far Indian laws on Corporate Social Responsibility are concerned; India takes care of the basic CSR through various legislations such as - Labour laws such as Factories Act, ESI Act, Workmen’s Compensation Act,

So, in view of the accomplishments of these legislations, policies and guidelines for Corporate Social Responsibility, India already has leading companies and the Govt. of India itself taking innovative actions towards social issues. Let’s have a Quick glimpse of it.

Recently, we all have heard our Prime Minister - Mr. Narender Modi’s Call on his Independence Day speech, to Build Separate Toilet for Girls that have already found Many Takers as corporates and financial institutions have come forward to achieve this mission on a massive scale, popularly known as Clean India campaign.

1. In addition to rural household sanitation, the Bharti group has also launched ‘Satya Bharti Abhiyan’ that will also invest in improving sanitation facilities in government schools in rural Ludhiana by building new toilets for girls, where no such facilities exist.

2. Another very well known SAP India, a german based company in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy which also looks after the food, clothing, shelter and medical care of street children.

3. Tanishq – A Bold and Revolutionary campaign

Another campaign from middle market jeweler Tanishq which celebrates a taboo Indian subject - remarriage. Tanishq’s ads immediately sparked social media conversation and found honor among one of the world’s top women’s empowerment ad campaigns.

4. Companies funding schemes under ‘Adarsh Gram’ to be counted under Corporate Social Responsibility

With Parliamentarians crying foul over dearth of funds to implement the Adarsh Gram Yojana, the Govt. expects Indian Inc. to help implement Prime Minister Narendra Modi’s ambitious scheme. Under this scheme, the companies can tie up with MPs to fund the scheme in adopted villages. The spending can be claimed under several heads of CSR rules which include constructing EWS housing, education, sanitation, health etc. The companies are expected to spend about Rs 15,000 crore in a year towards CSR activities.

5. Donations to Swach Bharat Kosh, Clean Ganga - Now part of CSR

Corporate honchos have responded enthusiastically to the Swach Bharat Campaign and have cleaned public places. CSR experts feel that both these funds Swach Bharat Kosh and Clean Ganga Fund could attract sizable donations from Indian Inc.

6. Infosys

Infosys, India's second largest IT firm contributed Rs. 240 crore this fiscal year to its philanthropic arm - Infosys Foundation - for funding corporate social responsibility (CSR) activities. The Bangalore-based firm has already contributed $8 million (Rs. 48 crore at 1 dollar = 60 rupees {approx}) to Infosys Foundation in the first fiscal quarter that ended on June 30, 2014.

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16 Available at http://articles.economictimes.indiatimes.com, accessed on 4 December, 2014
7. J&K Bank, PNB MetLife work jointly for underprivileged children

J&K Bank along with PNB MetLife India Insurance under a joint Corporate Social Responsibility programme launched “Sahyog” an initiative for meeting the health, educational and nutritional needs of underprivileged children of the state. The project would be looked over by CRY- AN NGO through its local partners Jammu and Kashmir Association of Social Worker and KOSHISH. From health care, heritage preservation to poverty alleviation, promotion of education to eco-conservation, CSR policy has been to instill a sense of relief and protection among the most vulnerable sections of society.\(^{17}\)

8. Coal India to spend Rs 235 Crore on improving sanitation\(^{18}\) - In response to the call given to the corporate sector by PM Narendra Modi for ‘Clean India’ initiative, Coal India said it will spend Rs 235 crore on building toilets and improving sanitation in schools and households of underprivileged.

9. Gujarat Govt. initiative for Corporate Social Responsibility -

After Tata motors, Ford, Maruti suzuki, Gujarat got. has now signed a state support agreement with Honda Motorcycle pvt. Ltd. for the latter’s 1100 crore two wheeler plant which is to be commissioned by December 2015.\(^{19}\)

10. IDBI bank joins UNICEF for safe water, hygiene in 400 maharashtra, UP schools to provide safe drinking water and sanitation to 8000 children in 400 schools.\(^{20}\)

11. The Indian Trade Promotion Organisation –

The premier trade promotion agency of the Govt, of india provides Asha Kiran Home - ROHINI\(^{21}\) for mentally retarded persons. 

So, the list of the companies fulfilling their Social Responsibilities is very long and it is to be noted that many of them even going beyond the 2 percent mandate set by the Govt. of India.

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

4. Corporate Social Responsibility–Key International Bodies and Instruments:

Globalization has influenced trade all over the world; companies have looked for new opportunities in doing business outside their home country. In recent years Corporate Social Responsibility (CSR) has gained growing recognition as a new and emerging form of governance in business. It is already established in a global context, with international reference standards set by the United Nations, Organization for Economic Cooperation and Development (OECD) guidelines and International Labour Organization (ILO) conventions. With brand value and reputation increasingly being seen as one of a company’s most valuable assets, CSR is now seen as building loyalty and trust amongst shareholders, employees and customers. CSR applies to a wide variety of company activities, especially in enterprises that operate multi-nationally in very different social and environmental settings. Let’s have a detailed look at such international bodies, Instruments and standards on CSR.

4.1 World Bank and Corporate Social Responsibility

The World Bank seeks to strengthen the collaboration between corporate business strategies and national development priorities by supporting the Government of India’s Ministry of Corporate Affairs (MCA) in its


efforts to develop the CSR activities of corporate enterprises. The main objective of the World Bank’s support – in the form of ongoing technical assistance - is to foster an enabling environment for the corporate sector to work towards social inclusion and the achievement of the Millennium Development Goals in partnership with government, non-government organizations, civil society organizations and communities. Key areas of engagement include: analytical activities, institutional design, shareholder consultations, capacity building and knowledge sharing. 22

4.2 UNICEF AND CSR

For UNICEF, a focus on corporate social responsibility (CSR) has entailed a reflection on how business affects the lives of children and the fulfilment of their rights. On 24 June 2010, UNICEF, the UN Global Compact and Save the Children launched a process to develop a set of Principles offering concrete guidance on what business can do to respect and support children’s rights. The process to develop a set of Principles was inspired by the international community’s call on all societal actors, including the private sector, to join a global movement to help bring about a world fit for children. 23

4.3 The Global Reporting Initiative

(GRI) is a non-profit organization that promotes economic sustainability. It produces one of the world's most prevalent standards for sustainability reporting - also known as ecological footprint reporting, environmental social governance (ESG) reporting, triple bottom line (TBL) reporting, and corporate social responsibility (CSR) reporting. GRI seeks to make sustainability reporting by all organizations as routine as, and comparable to, financial reporting.

A sustainability report is an organizational report that gives information about economic, environmental, social and governance performance. GRI Guidelines apply to corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others. 24

4.4 United Nations Global Compact - UNGC 25

It is world’s largest corporate citizenship initiative with the objective to mainstream the adoption of sustainable and socially responsible policies by businesses around the world. The 10 principles of the UN Global Compact have been derived from various UN conventions such as the Universal Declaration of Human Rights, ILO’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on environment and development, and the UN Convention Against Corruption. These principles cover four broad areas: Human rights, Labour rights, Environment and Governance.

4.5 ISO 26000: Social responsibility

This is a guidance tool provided by the ISO which enables organisations to understand the meaning and significance of social responsibility. It is important to note that this is not a certification but only a guiding tool. Hence, organisations which comply with these standards are self-certified. It covers six core areas of social responsibility, including (i) human rights (ii) labour practices (iii) environment (iv) fair operating practices (v) consumer issues (vi) community involvement and development. This ensures a holistic approach to the concept of social responsibility and sustainable development. 26

5. The Ground Reality - Implications of New Indian CSR Norms and practices:

i. The first and foremost challenge is that of political pressure by local politicians’ especially public sector undertakings to spend in their constituencies. The mandatory spending set by the new Indian companies act norms will lose its meaning if the initiatives cannot be directed in the areas which need them the most.

ii. Companies Act, 2013 is a great step and efforts must be made to clear the haze around the kind of activities that may be taken by the companies under CSR to prevent companies trying to green wash their profitable acts under the garb of Corporate Social Responsibility.

iii. Most of the CSR activities in India tend to be ad hoc activities that are either managed by an NGO or by an external Public Relation agency, so the new regulations would prove to be an effective way to inculcate commitment for the strategic aspects of Corporate Social responsibility.

iv. NGO accountability is a highly contentious issue and a key complaint against Indian NGO’s is their overspending in overheads. According to NGO’s watchdogs half of the funds are misused especially for funds taken from foreign donors who are abroad. There are also many uncomfortable issues such as business’ using NGO’s for money laundering which calls the credibility of a lot of Indian NGO’s into question. So, the drastic increase in companies’ budget will lead to higher NGO accountability.

v. The biggest aspect will have to be seen in the mindset change among the Indian corporate leadership which still believes in maximizing profit for shareholders and minimizing any connection with the harsh Indian reality. There is no provision to penalize the companies that violates the CSR mandate and they just have an obligation to explain the reasons for not meeting the requirements.

So, if we see at the macro level, India’s transformation has been an impressive and inspiring story in the past decade but there is also another side of this picture which shows that despite an average of nine percent GDP growth in the past decade, only 31 percent of children have access to safe sanitation. On the United Nation’s Development Program’s (UNDP) Human Development rankings, India ranks at number 134. The country is still facing gross inequalities of poverty. The Human, consumer and environmental rights are contested terrains with the never ending story of corporate scandals. Much environmental and social legislation have been enacted under its strong democratic constitution. However, the implementation scenario is gloomy and dismal and reflects the fact that institutions responsible are weak and unaccountable to public pressure.

Then add a bevy of unaddressed issues including education, women’s rights, safe drinking water and environmental degradation. Clearly India’s government is not doing enough to lift its most vulnerable citizens; and many of the NGOs have not filled the gaps. So to address such issues and gray areas, some suggestions have been discussed below. Let’s analyse them one by one.

6. Suggestions for effective implementation of Corporate Social Responsibility:

i. Stop the Blame Game -

A popular saying is ‘journey begins at home’. One cannot every time blame the government. It should be important for each citizen to give back something to the society in one form or the other. Social responsibility need to be deeply ingrained in the minds of everyone right from the childhood. A child should at a very early stage of life be inculcated with a sensible feeling towards the well being of the society and should be encouraged to develop the same and nurtured through schooling environment which they carry over to the corporate world. Corporate social responsibility should not be mistaken as socialism but, should perceive as an effective tool for well balanced growth and development of the nation. It is noted that CSR as a subject or discipline should be made compulsory at business schools and in colleges and universities to sensitize students about social and development issues right from their early age.

ii. Companies should help building expertise and capacity of NGO’s –

There is a need to build the capacities of the local non-governmental organizations as many NGOs are not adequately trained and equipped to operate efficiently and effectively and there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies.

iii. Companies should move “beyond signing charity cheques” - and must chalk out poverty solutions -

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27 United Nation’s Development Program’s (UNDP) Human Development rankings, India ranks at Number 134
Instead of writing cheques to charities, an effective poverty solutions strategy a company can launch is to lend their employees to non-profits on a part or full-time basis. Like in India, the telecom giant **Vodafone partners with the NGO Dasra** 28 and assigns 25 employees to work within NGOs of their choice across India for several weeks. The German enterprise software company **SAP operates a similar program.**

iv. **Generation of Public Awareness about Corporate Social Responsibility Practices**

It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. The awareness generation can be taken up by various stakeholders including the media to highlight the good work by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. This can be done through their website, annual reports, and other communication media. 29

v. **Corporations Must Focus On Rural Areas As Well:**

It is usually seen that many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach to the needy and the poor in rural areas. While focusing on urban areas, it is recommended that companies should also actively consider their focus on rural areas as well, including - education, health, girl child and child labor as this will directly benefit rural people.

vi. **Allocation of Budgets for CSR Activities:**

Companies should allocate specific amount in their budgets for CSR activities. This amount can be related to profits after tax, cost of planned CSR activities or any other suitable parameters can be fixed for allocation of CSR budgets.

vii. **A Strong Implementation Strategy needs to be devised by the companies**

The CSR policy of the business entity should provide for an implementation strategy which includes - identification of projects/activities, setting measurable physical targets with time frame, organizational mechanism and responsibilities, time schedules and monitoring. Companies may partner with local authorities, business associations and civil society/non-government organizations. 30 They may influence the supply chain for CSR initiatives and motivate employees for voluntary effort for social development.

**Conclusion:**

Today, Corporate Social Responsibility in India has gone beyond merely ‘charity and donations’ and is approached in a more organized fashion as it has become an integral part of the corporate strategy and the need of the hour is that companies need to realize that Corporate Social responsibility is not just companies’ contribution to the society, but also include efforts made for social reformation. A question arises here which needs to be answered that, can a government mandated CSR policy, be a social development path, for a nation in which over 900 million have a mobile connection but only 600 million or 36 percent of the population has no access to clean toilet?

So, in view of the above question it is strongly recommended that, companies should choose the right philanthropic programs that yield social benefits, effectively address stakeholder interests, as well as choose the right community partnerships, in order to build a good corporate reputation and make a real difference in the community and which would definitely prove to be a positive step towards our prime minister’s slogan “Make In India” a success.

“Corporations have a social responsibility and moral duty to use the power of markets to make globalization a positive force for all”.

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30 Paul Hohnen, author and Jason Potts, Corporate Social Responsibility: An Implementation Guide For Business (July 2007).