Corporate Social Responsibility : A Business Solution for Sustainable and Inclusive Development

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Abstract

The two significant events of the year 1970 - one, Milton Friedman's pronouncement that 'the only social responsibility of business is to make profits', second, back home J.R.D. Tata passed instructions to all Tata Group companies to include a clause on 'stakeholders management' in their articles of association. It took 43 years to transform stakeholders' philosophy into reality, with the enactment of the Companies Act , 2013, which for the first time incorporated the significant clause of corporate social responsibility and has made it mandatory for companies to spend 2% of their profits after tax on CSR activities. The CSR concept is a trade-off between capitalistic and socialistic ideology. In this research paper, a modest attempt has been made to understand and analyze the concept of sustainable development in the emerging global economic scenario, evaluate the inclusive development in the backdrop of budgetary allocation to the social sector, and study the implications of corporate social responsibility for sustainable and inclusive development. Finally, it has been concluded that CSR initiatives will help businesses to become economically viable and equitable, socially responsible, and environmentally sustainable.

Keywords: **corporate social responsibility, sustainable, inclusive, development, environment, education**
JEL Classification : G3, G34, G340

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Today, we are living in the age of rapid and pervasive globalization, in which companies have grown so large that they control much of the nation's wealth and affect the life of human beings in various ways more than any other institution. The conventional objective of 'Financial Bottom Line'- earning profits appears to be the only dominating driving force in the functioning of a corporation in an aggressively competitive economic environment. Globalization provides great opportunities to corporations and also poses a great threat to their sustainability in terms of wide-spread protest against them as they are exploiting the wealth of nations for earning profits. No corporation, whether private or public is an island in itself, as they have to draw much from society and the environment for their survival and growth. Thus, business depends on society for existence, sustenance, and encouragement. Dependence of a business on society is so complete that as long as the latter wants the former, business has no reason to exist; once society ceases to have any use of business, it has no place and reason to live (Aswathappa, 2009). They are using the infrastructure - such as electricity, roads, water supply, communication, educated work force, transport facilities, public health, mass media, and maintenance of law and order - that is developed by the governments at the cost of society . Even all consumers of its finished products are drawn from the society. Hence, it is the social and moral responsibility of a corporation to repay this debt of the society by making a contribution for social welfare and environmental protection and act as a 'custodian of inclusive and sustainable development'.

The Companies Act, 2013 is a harbinger of revolutionary change in the domain of corporate governance- from shareholder's model to stakeholder's model. The section 166(2) of the recent companies law define the duties of board of directors as, "a director of a company shall act in good faith in order to promote the objects of the company for the benefits of its members as a whole, and in the best interest of the company, its employees, the shareholders, the community and for the protection of the environment" (Sundaresan, 2013). This indicates a paradigm shift in corporate social responsibility also - companies now have to focus on the 'Triple Bottom Line' representing economic, social, and environmental dimensions. In the economic dimension, corporations have to ensure the best input-output ratios in relation to the financial bottom line. From the economic point of view, Milton Friedman's theory that the business of business is to produce efficiently and make profits is justified to a certain extent as creating the wealth is the fundamental obligation of every business. Businesses have to perform the economic function within the ethical and legal framework, and failing to do so is indeed being CSR- unfriendly. The second dimension deals with social

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good- inclusive and equitable development in terms of employment generation, poverty reduction, providing equal opportunities, and other issues of social significance. And finally, the third dimension is concerned with the impact of the decisions and actions of the corporations on environment related issues such as pollution and emission control, energy conservation, climate change, and so on (Balasubramanian, 2010).

Rationale and Scope of the Study

Inclusive development is a very broad concept which is closer to the Gandhian philosophy of 'Sarvodaya-economic upliftment of poor and ethical upliftment of the rich' (Bakshi, 2013). Inclusive development includes social inclusion and financial inclusion, but the present study is based on the concept of social inclusion only, with its specific focus on education and health. The period of study is limited to 2006-07 to 2012-13.

Objectives of the Study

The objectives of the present study are as follows:

- To understand and to analyze the concept of sustainable development in the emerging global scenario.
- To evaluate the concept of inclusive development in the backdrop of budgetary allocation to the social sector.
- To study the implication of corporate social responsibility for sustainable and inclusive development.

Review of Literature

Keeping in view the specific objectives of the study, the review of various studies have been presented in the following paragraphs:

Ghuman (2013) revealed that the clause 135 relating to CSR is a very significant feature of the Companies Act, 2013, and it will prove to be a milestone in the growth story of India. The main features regarding CSR were discussed in detail in the introductory part of the article. The author observed that CSR's contribution will be in billions of rupees, and if invested properly, it shall certainly generate formidable results and have a significant positive impact for the society. Maira (2013) raised doubts about the legitimacy of spending of 2% of companies' profits on CSR and expressed the apprehension that the politicians may persuade the corporates to divert these funds towards their corpuses and desired causes. He observed that the innovation of new institutions in the field of economy, polity, environment, and knowledge has increased the level of awareness of the society, and this has forced the policy makers to bring such innovative changes in the domain of governance. He concluded that the mandatory CSR spending is both meager and one whose time has passed.

Venkatesan (2013) argued that the legislative intervention regarding CSR is desirable, but the problem with the bill is that it does not seek to change the corporate behavior and make business operations ethically, socially, and environmentally responsible. The researcher was of the view that this provision is ingenious as it tries to bridge the gap between the socialist ideology of the Constitution and the free market reality of today. In the concluding observations, it was suggested that the bill may have done well to mandate the 2% CSR spending towards implementing or furthering the 2009 voluntary guidelines as these guidelines cover all companies irrespective of their profits and turnover, which could help in spending more money for social causes. Kothari (2013) observed that Indian policy planners are facing difficulties in integrating environmental sustainability in economic planning due to its stubborn adherence to the model of economic development in the neo-liberal regime, which is fundamentally unsustainable and inequitable. India has already initiated many programmes to implement the theme of sustainable and inclusive development. He concluded that it is the beginning which will be manifested in the future in the 13th Five-Year plan and could bind together the objective of sustainable development.

Goswami (2012) analyzed that the inadequate budgetary provisions for the social sector investments are a matter of concern. There is a steady increase in the social sector allocation, which is below 2%. It was observed that if India wants to attain the benefits of 'demographic dividends,' then it has to invest much in the social sector. In the concluding observation, it was suggested that investing in the social sector segments like health and education is the key to the growth as an educated and healthy population will be instrumental in attaining the goal of faster, sustainable, and more inclusive growth. Yadav and Khanderia (2012) said that India being a democratic polity is committed to the welfare of the people and the contribution of the public sector is significant in CSR initiatives as compared to the private sector. The corporate sector has to integrate the concept of CSR in their mission, vision, strategy, goal, actions, and decisions for sustainable and robust economic growth. The integration of social and environmental concerns in the strategic operation is also significant for the development and sustainability of corporations also. Kumar (2012) argued that the world is passing through the stage of economic slowdown due to the ethical deficit. The author was of the view that due to the erosion of wisdom, ethics, morality and values, the corporate sector is grappling with the problem of governance deficit. CSR has four dimensions, that is, economic, social, environmental, and ethical, and it has been concluded that there is a positive and progressive correlation in ethics- corporate culture- corporate social responsibility- good corporate governance, and this equation can be instrumental in providing competitive gain and sustainability to business in the present turbulent global scenario.

Khandelwal and Mohendra (2010) investigated how sharing of organizational values will make employees feel more loyal, committed, and they would like to stay for more time in the organization. The main objective of the research work was to investigate and assess the employees' awareness and understanding of core values, vision, and CSR. The findings of the research work suggest that CSR has the potential to become a product or service strategy designed to sustain a competitive edge. The study also recommended that the organization's strategy on CSR must be in line with core competence and companies should invest in CSR as a part of business strategy to become more competitive. Sarkar (2008) delineated that a paradigm shift has occurred in the realm of social work towards corporate social responsibility. Over the past many years, the history of business has witnessed a major transformation in defining human beings in the context of business from human resource to human capital, the corporations are restructuring their roles in revitalizing their human resources alongside taking care of the vast external stakeholders through the new slogan of corporate social responsibility. CSR is the new mantra which says that greed is out, and a new corporate virtue is in.

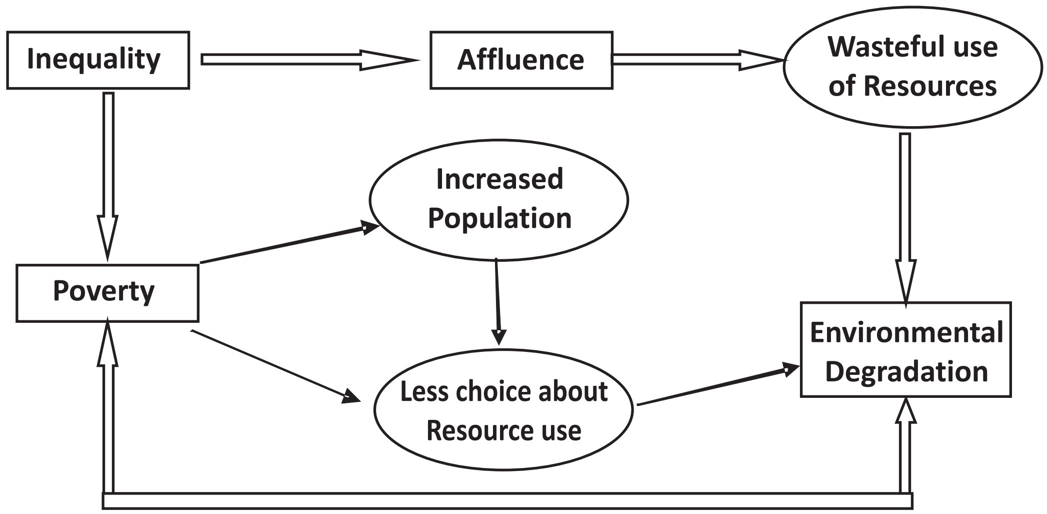
Methodology

The present research is descriptive, qualitative, quantitative, and exploratory in nature. It is both conceptual and empirical as well. The arguments have been discussed in the light of inclusive and sustainable development and then with the help of secondary data, an attempt has been made to prove the arguments. The data were collected from various sources such as Economic Survey of Government of India, various issues of Yojana, Economic and Political Weekly, Prabandhan: Indian Journal of Management, The Hindu, Business Standard, The Economic Times, The Financial Express, and various websites and books. The tools and techniques used for the analysis and interpretation of the information include arithmetic mean, trend analysis, pie chart, SWOT analysis, expert opinion method, comprehensive evaluation, and observation method. In the present study, an effort has been made to explain the various concepts with the help of diagrams, charts, and figures.

Analysis and Interpretation

↳ **Understanding and Analysis of Sustainable Development :** There is now overwhelming scientific evidence to establish the fact that human activities are changing the composition and properties of the environment since the advent of industrial revolution. The natural balance of the environment has been distorted due to over dependence of mankind for the sake of greed and lack of vision. Business processes add value to the natural resources, but at the same time, in an endeavour to create wealth, they are also producing a massive amount of waste. The Brundtland Commission on Environment and Development was established by the UN General Assembly in 1983. According to the Brundtland Commission, the world is producing seven times more goods as compared to the 1950s (Fernando, 2009). Today, after 30 years of the report, we are producing several times more goods and waste as well. Consequently, the problems relating to global warming, depletion of the ozone layer, increasing instances of health problems, pollution of air, water, and land are the results of rapid industrialization. To reduce greenhouse gas emissions by 9.7% by 2036 would cost $2.53 trillion, if the 1990 emission levels are taken into consideration as base

Figure 1. The Vicious Circle of Environmental Degradation due to Poverty and Affluence



Source: Adapted from Economic Survey, Government of India, 2011-12, p. 282.

line (Murthy, 2012). In addition to industrialization, poverty is also responsible for the degradation of the environment. It is evident from the Figure 1 that both poverty and effluence are responsible for the degradation of the environment. The developed nations and wealthy people are comparatively more responsible for the degradation of the environment. Consequently, they should come forward to finance sustainability.

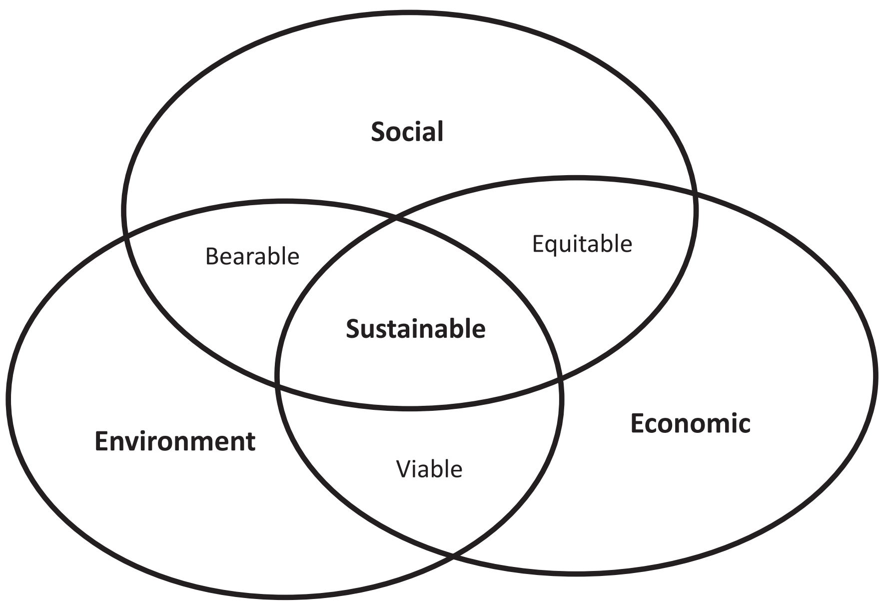
Most of the developing nations are suffering from environmental problems, and India is no exception. Economic globalization since 1991 has increased the rate of exploitation of natural resources for developmental purposes, which has affected the environment in many ways. For instance, some 10 % of the country's wildlife is facing extinction, agricultural biodiversity has declined by over 90% in some regions, near about half of the water bodies are polluted beyond drinking, and with regards to agricultural use, two-third of the land is degraded to various levels, state of air pollution in several cities is the worst in the world, modern wastes, including electronic and chemical wastes are being produced beyond our capacity to manage and recycle the same. Many reports by government and private agencies have suggested that India's resource use is already twice of its bio-capacity, and this bio-capacity has declined by half in the last few decades (Gupta, 2013).

The year 2012 was a turning point with respect to sustainable development initiatives as the global community met at the United Nations Conference on Sustainable Development in June 2012 in Rio de Janerio, Brazil (Rio+20) to mark the 20th anniversary of the landmark first Earth Summit (1992). The conference reviewed the progress made, identified implementation gaps, and assessed the emerging challenges which resulted in a political agenda for future called *'The Future We want'* (Government of India, Economic Survey, 2012-13). The conference ended with two themes to be pursued by the global community, that is, **(a)** green economy in the context of sustainable development and poverty eradication, and **(b)** institutional framework for development. A set of goals have been initiated as an outcome of the summit towards 'new development' frameworks that could lead more effectively to the human well being while ensuring environmental sustainability. These set of goals include the issues like ensuring ecological conservation and resilience, providing adequate and nutritious food for all, ensuring adequate and safe drinking water to all, safeguarding conditions for prevention of disease and maintenance of good health for all, providing equitable access to energy sources in a sustainable way, facilitating equitable access to learning and education for all, and ensuring secure, safe, sustainable, and equitable settlement for all (Kothari, 2013).

Sustainability is the capacity to endure. In ecology, sustainability refers to how a biological system remains diverse and productive over a long time. Healthy ecosystem and environments are necessary for the survival and progress of humans and other organisms. The most widely accepted definition was presented by the World Commission on Environment and Development in 1987 as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Balasubramanian, 2010). This concept of sustainability can also be very well understood by this ancient Indian verse "Business should act like the honey bee that sucks the essential from the flowers without destroying its beauty." The Figure 2 explains the concept of sustainable development. Accordingly, sustainability refers to the outcome achieved by balancing the economic, social, and environmental impacts of a business. It is the process which ensures that business goals are to be pursued without compromising any of the three elements. The roadmap to sustainability is mapped in Mahatma Gandhi's quote "Earth provides enough to satisfy every man's need, but not for every man's greed" (Panigrahi, 2012).

It is observed that governments around the globe are playing a significant role in preserving, protecting, and nurturing the environment to maintain ecological balance for the good of all. In this endeavour, governments are assisted by common public, environmentalists, the media, NGOs, and to a certain extent, by corporations also. Corporations have a moral, ethical, and social responsibility to trade - off between ecology and economics since they have played a major role in environmental degradation. Sustainable development is increasingly dominating the policy domain in India as many government schemes, economic instruments, regulatory measures, and market mechanisms are linked to land, air, soil, and water. India's commitment to environment and sustainable development is reflected in it being a part of at least 94 multilateral environmental agreements, and the position regarding the per-capita emitters were the lowest in 2005 and continued to be at the bottom in 2009 as well. The 12th Five-Year Plan (2012-17) was launched whose explicit theme was a 'faster, sustainable, and inclusive growth' process. It is the first time that a five year plan has sustainability as a prominent focus and outlined low carbon strategies for major potential carbon mitigation sectors and 'Green India Mission' to regenerate 4 million of the degraded forests (Economic Survey, Government of India, 2012-13). The Companies Act, 2013 also includes environmental sustainability in the scope of CSR activities. This indicates that issues relating to sustainable development are being addressed on a priority basis in our country.

Figure 2. Sustainable Development



Source: Adapted from Gupta, A. K. (2013). Climate risk: Critical challenges. Yojana, 57(June 13), 11-17

Evaluation of Inclusive Development

The concept of inclusive development can be understood in the backdrop of the millennium development goals. These goals were determined by the Millennium Summit of the United Nations in 2000. Following the adoption of the United Nations Millennium Declaration, all the 189 United Nation member states and at least 23 international organizations are committed to help in achieving these goals by the year 2015. These goals are: Eradication of extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality rate, improving maternal health, combating HIV/AIDS, malaria, and other diseases, ensuring environmental sustainability, and developing a global partnership for development (Millennium Development Goals, Wikipedia). Many people are excluded from the development process because of their gender, ethnicity, age, caste, religion, region, disability, or poverty. The effects of such an exclusion are staggering, which causes poverty on one side and widens the gap between income distributions on the other side. The richest 10% of the people in the world own 85% of all assets, while the poorest 50% own only 1% (Rafael & Raquel, 2013). Development can be inclusive- and poverty reducing - only if all groups of the society are taken into consideration in the development planning, share the benefits of development, and participate in decision-making. Inclusive development focuses attention on the distribution of well-being in the society. Well-designed fiscal policies - the way a government collects and spends public resources - can make a significant difference in stimulating inclusive growth.

The concept of inclusive growth is intimately related to pro-poor growth, which requires that both poverty and inequality be reduced to be a growth pro-poor. It is generally understood that reducing both poverty and inequality is at the heart of the concept of inclusive growth. However, the concept of inclusive growth is beyond pro-poor growth and is extended to the development that benefits all stripes of society, including the people below the poverty line, people above the poverty line, middle-income groups, and even the rich. The Gandhian concept of *'Sarvodaya'* is very close to the concept of inclusive growth, which refers to economic upliftment of poor and ethical upliftment of the rich (Lavanya & Devodass, 2012).

Inclusive growth is growth that reduces the disadvantages of the most disadvantaged while benefitting everyone. Another distinguishing feature of inclusive growth is that rather than being limited to income outcomes, as pro-poor growth, it also includes the manner through which growth takes place. The concern with the process of growth is based on the understanding that in addition to sharing the benefits of growth, people must actively participate in the growth process. Accordingly, with respect to processes, inclusive growth can be thought of as entailing the expansion of opportunities for participation, which can include both engagements in productive economic activities and having a say on the orientation of the growth process. The latter has so far received little attention, whereas the former has been gaining prominence, generally tied to the concept of productive employment. The inclusion of dimensions other than income has also marked the debate on inclusive growth, and it has been argued that inclusive growth refers to the distribution of improvements in income, while inclusive development involves improvements in dimensions other than income. Inclusive growth has been thought of as growth that promotes development, whereas inclusive development is understood as comprehensive improvements in multiple dimensions contemplating both living conditions and empowerment (Rauniyar & Kanbur, 2010).

India is on the brink of a demographic dividend, with a majority of the working population between the ages of 15 and 59 years. This demographic dividend can be reaped only if this young population is healthy, educated, and skilled. That is why human development assumes a great economic significance. Consequently, Indian planners for past many years engaged themselves in making inclusive development-oriented policies. The major dimensions of inclusive development in the Indian social sector expenditure include poverty alleviation, employment generation, health, education, empowerment of women, and social welfare, besides reviewing the progress of government programmes in these sectors. Inclusive development has two facets such as social and financial inclusion. Many segments of the population like landless agricultural labourers, marginal farmers, scheduled castes, scheduled tribes, and other backward classes continue to suffer from social and financial exclusion (Economic Survey, Government of India, 2012-13, p. 269, p. 270).

The Central Government is endeavoring to bring these marginalized sections of the society into the mainstream by making investments in the social sector, although most social sector subjects fall within the purview of the States. It is evident from the Table 1 that the Central Government expenditure on social services and rural development increased from 13.38% in 2006-07 to 17.39% in 2012-13. The allocations of expenditures on social services were 9.47% in 2006-07, which increased to 13.04% in 2012-13. Unfortunately, there has not been a significant increase in the expenditure on education and health. The expenditure on education was 4.28% in 2006-07, which reduced to 4.15% in 2009-10, and the figure then again increased to 4.52%. Similarly, the allocations of expenditure on the health sector were 2.05% in 2007-08, which reduced to 1.90% in 2011-12, and again marginally increased to 2.06% in 2012-13. It can be concluded from this analysis that though the government is committed to reap demographic dividends and inclusive development, yet, with this marginal budgetary allocation, it will be difficult to convert this goal into reality.

The Figure 3 show the trend of Central Government expenditure on social services and development since 2006-

Table 1. Central Government Expenditure (Planned & Non-Planned) on Social Services and Development (as % of total expenditure)

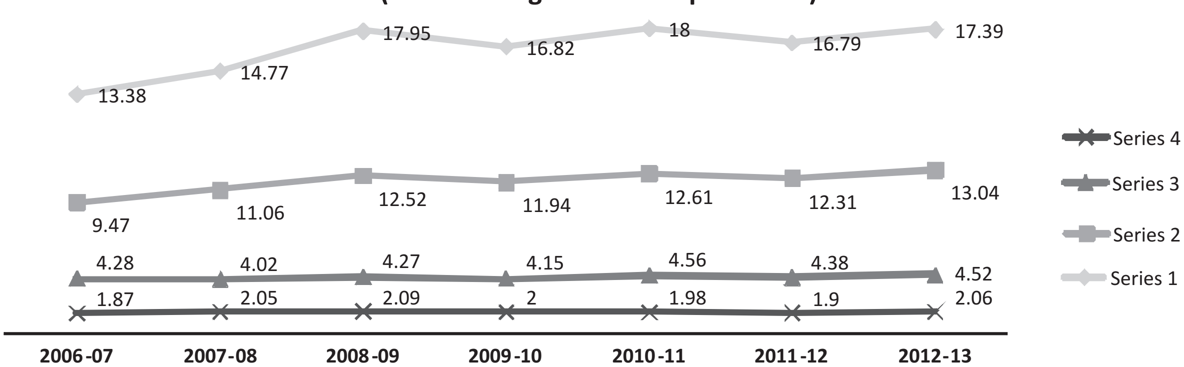
Items	06-07	07-08	08-09	09-10	10-11	11-12	12-13
1.Social Service							
a. Education, Sports, Youth Affairs.	4.28	4.02	4.27	4.15	4.56	4.38	4.52
b. Health & Family Welfare	1.87	2.05	2.09	2.00	1.98	1.9	2.06
c. Water Supply, Housing etc.	1.72	2.02	2.54	2.39	2.35	1.93	2.08
d. Information & broadcasting.	0.22	0.25	0.22	0.23	0.20	0.21	0.20
e. Welfare of SCs/STs &OBC.	0.36	0.34	0.36	0.41	0.43	0.57	0.67
f. Labour & Employment	0.27	0.32	0.27	0.28	0.22	0.24	0.24
g. Social Welfare & Nutrition	0.85	0.82	1.15	0.87	1.01	1.19	1.25
h. North-Eastern Area	0	0	0	0.02	0.02	1.65	1.88
Other Social services	-0.17	1.29	1.55	1.67	1.66	0.21	0.19
Total	**9.47**	**11.06**	**12.52**	**11.94**	**12.61**	**12.31**	**13.04**
2. Rural Development	2.84	2.8	4.56	3.77	3.51	2.97	2.74
3.PMGSY**	1.08	0.91	0.88	1.11	1.87	1.52	1.61
Total of above 1+2+3	**13.38**	**14.77**	**17.95**	**16.82**	**18.00**	**16.79**	**17.39**
Total Central Government Expenditure	**100**	**100**	**100**	**100**	**100**	**100**	**100**

*2011-12 Revised Estimates, 2012-13 Budgeted Estimates. ** Pradhan Mantri Gram Sadak Yojana. Source: Economic Survey Government of India, 2011-12, p.304 ; Economic Survey Government of India, 2012-13, p. 271.

07 to 2012-13. The picture of government expenditure in these sectors depicts a mixed trend. While the budgetary allocation to this sector increased from 2006-07 to 2008-09, it again declined in 2009-10, but during the next year, it showed a marginal increase, which was again followed by a decline. The trend relating to education and health also does not depict an encouraging picture. Though the government is charging 3% cess for education, yet the allocation of expenditure to this sector is not adequate. So far as health and family welfare is concerned, the state of affairs is discouraging. The average Central Government's expenditure on the social sector, social services, education, and health was 16.44%, 11.93%, 4.31%, and 1.99% respectively. This analysis shows that the Central Government's expenditure on the social sector, with specific reference to education and health, is not adequate as per the commitment of the government to inclusive development.

The Table 2 depicts the expenditure on the social sector by the government (both Centre and State government combined) as percentage of gross domestic product, total expenditure, and social services expenditure. The total

Figure 3. Central Government Expenditure on Social Services and Development (as Percentage of Total Expenditure)



Source : Author's Research

Table 2. General Government Expenditure on Social Services (Centre and State Combined) (₹ Crore)

Items	06-07	07-08	08-09	09-10	10-11	11-12	12-13	Average
				As Percentage to GDP				
Total Expenditure	**25.83**	**26.37**	**28.41**	**28.59**	**27.52**	**28.07**	**28.28**	**27.58**
Expenditure on Social Services	5.57	5.91	6.76	6.89	6.79	6.89	7.09	6.56
I) Education	2.72	2.59	2.88	3.04	3.13	3.25	3.31	2.99
II) Health	1.25	1.27	1.32	1.36	1.29	1.29	1.36	1.31
III) Others	1.6	2.05	2.56	2.49	2.37	2.35	2.42	2.26
				As Percentage of Total expenditure				
Expenditure on Social Services of which	21.6	22.4	23.8	24.1	24.7	24.5	28.28	24.20
I) Education	10.5	9.8	10.1	10.6	11.4	11.6	11.7	10.81
II) Health	4.8	4.8	4.6	4.8	4.7	4.6	4.8	4.73
III) Others	6.2	7.8	9	8.7	8.6	8.4	8.6	8.19
				As Percent of Social Services Expenditure				
I) Education	48.9	43.9	42.6	44.1	46.1	47.2	46.6	45.63
II) Health	22.4	21.5	19.5	19.7	19	18.7	19.2	20
III) Others	28.8	34.6	37.9	36.1	34.9	34.1	34.2	34.38

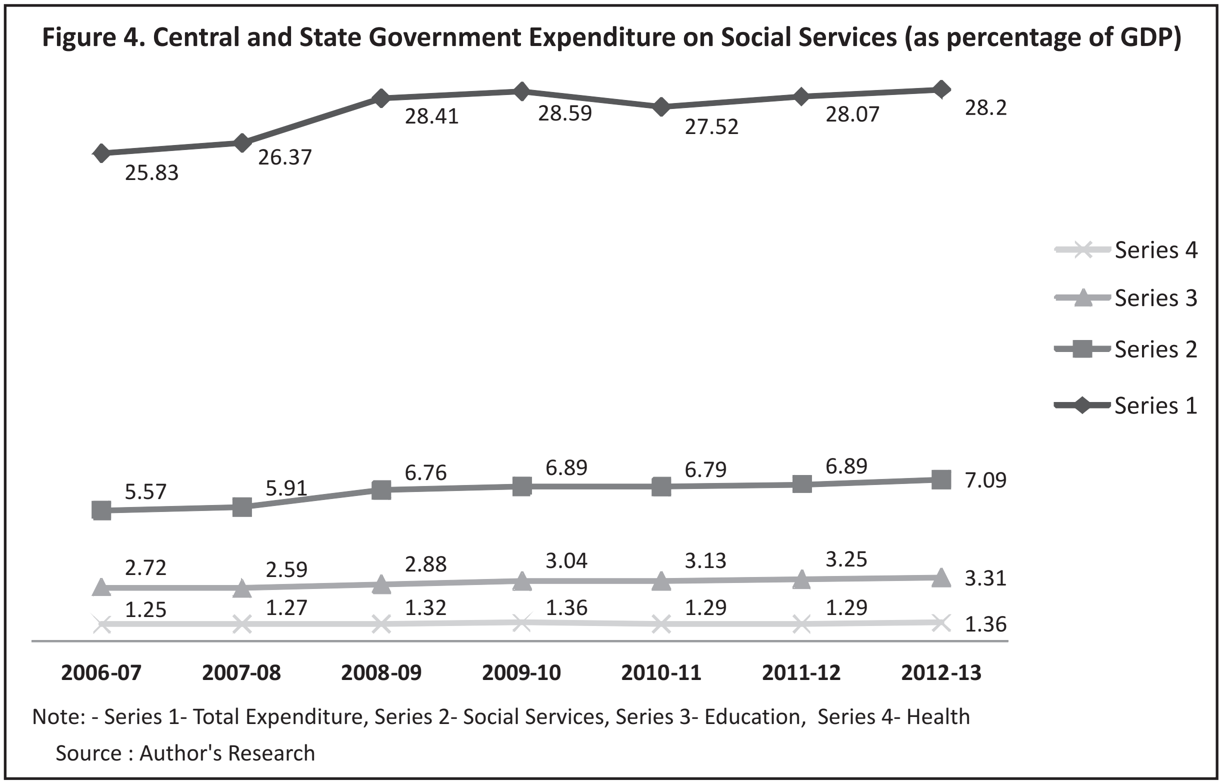
*2011-12 Revised Estimates, 2012-13 Budgeted Estimates.

Source: Economic Survey, Government of India, 2011-12,p.304 ; Economic Survey, Government of India, 2012-13, p. 271.

expenditure on social services as percentage gross domestic product increased from 2006-07 to 2009-10, decreased during 2010-11, and increased to 7.09% in 2012-13. The total expenditure on education as percentage of gross domestic product increased from 2006-07 to 2012-13, with the exception of the year 2007-08. Similarly, the expenditure on health and family welfare increased during the same period, with the exception to the years 2010-11 and 2011-12. The expenditure on social services as a percentage of total expenditure increased from 2006-07 to 2012-13, with the exception of the year 2011-12, during which the expenditure on social services decreased marginally. The expenditure on education as percentage of total expenditure increased from 2007-08 to 2012-13, the expenditure on health depicts a mixed trend, with the expenditure hovering around 4.8% of the total expenditure. Education and health are priority sectors for social service expenditure. The expenditure on education as percentage of social services expenditure increased since 2007-08 to 2011-12 and decreased during 2012-13, but on the other hand, the expenditure on health presents a very dismal state of affairs. This analysis shows that education has been given priority over health. The reason behind this higher allocation for education is that the government is charging a 3% cess for education. Our policy planners should ponder over the fact that if India has to attain the lofty goal of inclusive and sustainable development, then education and health should be given equal preference in budget allocation.

The Figure 4 presents a trend of the Centre and State government expenditure on social services as percentage of the gross domestic product. The trend of total government expenditure exhibits an upward and downward trend, and reached its peak in 2009-10. The expenditure on social services depicts an increasing trend since 2006-07, with the exception of the year 2010-11, this is the year when the total government expenditure also declined. The expenditure on education showed an increasing trend since 2006-07, but the trend of expenditure on health depicts a disturbed position. The average general government expenditure on social services was 6.56% of the GDP, and average expenditure on education and health was 2.99% and 1.99% of the GDP respectively, which is too low to attain the objective of inclusive development. This shows that although education and health have been assigned priority in the social sector, but the overall allocation of expenditure for the social sector is very low, which has adversely affected the development of the education and health sectors. Hence, it can be concluded that the 2% contribution for CSR from corporates can possibly fill this gap.

The Figure 5 depicts that budget allocation to the social services sector as part of the total expenditure exhibited an increasing trend with the exception of the year 2011-12, which reflects only a marginal decline. Expenditure on



education as a percentage of total expenditure depicts an upward trend since 2007-08, whereas expenditure on health shows a marginal increase and decrease since 2006-07. The average expenditure on social services, education, and health was 24.20%, 10.81%, and 4.73% respectively.

As per the Global Hunger Index, India was ranked at the 66th position out of 88 countries, and the Global Hunger report says that 89% of the Indians live under the poverty line, if calculated according to international standards. According to the International Food Policy Research Institute, India's GHI score was 22.6 in 1996, which rose to 24.2 in 2001, and declined to 22.9 in 2012, almost touching the 1996 levels ("India's score in global hunger index hovering

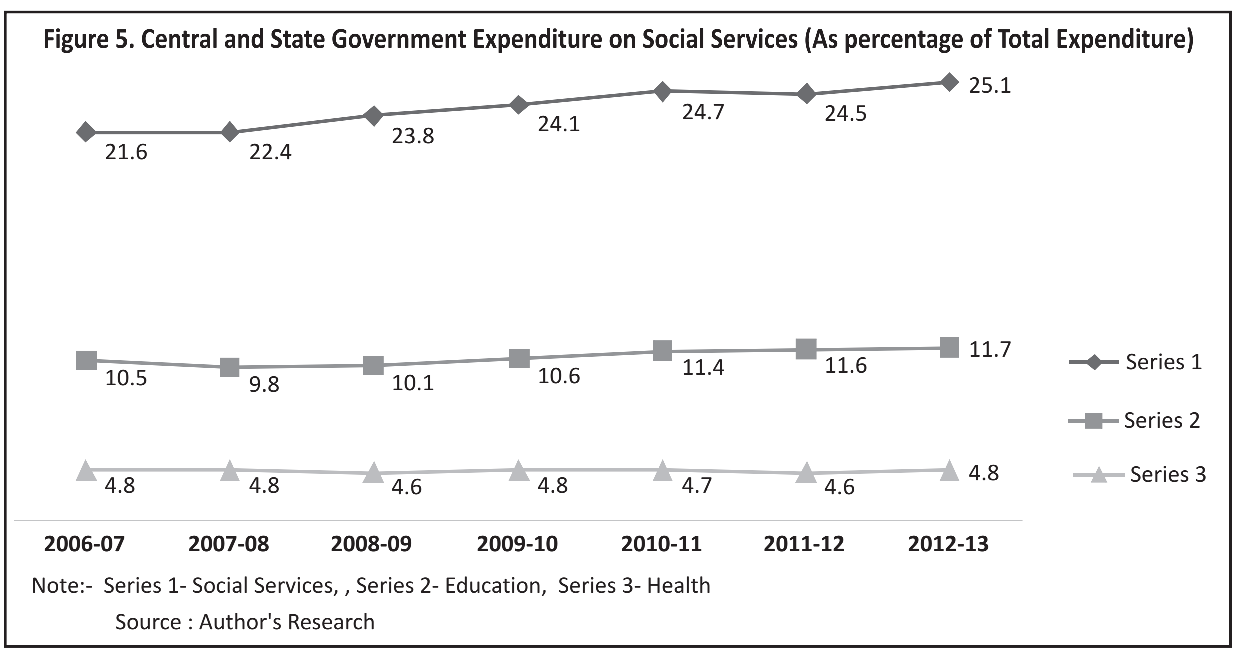
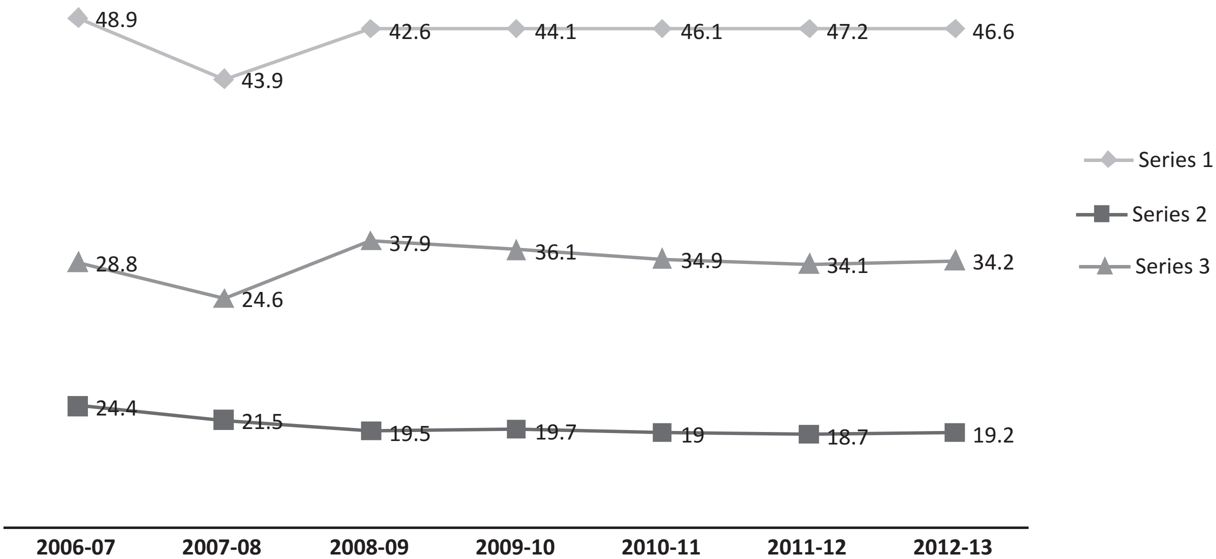


Figure 6. Central and State Governments' Expenses on Social Services
(As percentage of Social Services Expenditure)

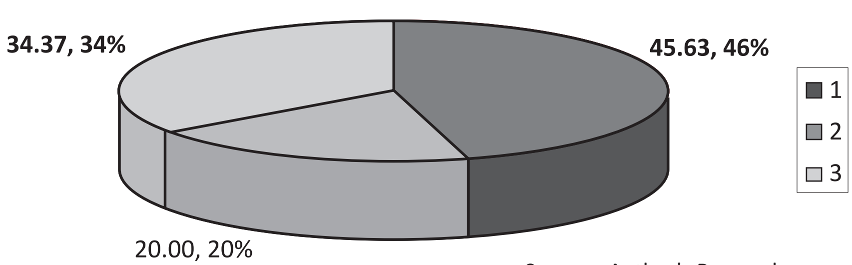


Note:- Series 1-- Education, Series 2- others, Series 3- Health. Source : Author's Research

around 1996 levels.", 2012). This analysis shows that budget allocation to the social sector should be increased to address the issue of inclusive development. The Figure 6 presents the trend of general government expenditure on the social sector. This analysis reflects the government's commitment to inclusive development as education and health have been given priority in the social services outlay. However, expenditure on health is less than half as compared to education. If the outlay of health is compared with other emerging and developed countries of the world, then India's expenditure on health as a percent of gross domestic product is very low and is the lowest among BRICS (Brazil, Russia, India, China, and South Africa) countries (Government of India, Economic Survey 2012-13, p. 272).

The Figure 7 presents the data relating to average social services expenditure with the help of a pie diagram to corroborate the analysis that India is committed to inclusive development. The pie-diagram shows that in the social services sector, 46% weightage has been given to education, whereas only 20% weightage has been assigned to health, and the remaining 34 % weightage has been given to other factors such as water supply and housing, information and broadcasting, welfare of SCs/STs and OBCs, labour and employment, social welfare and nutrition, and so forth.

Figure 7. Percentage of Social Services Expenditure on Education, Health, and Others



Source : Author's Research

Note: 1- Education, 2- Health, 3- Others.

Implications of Corporate Social Responsibility

Historically, CSR as a concept in India has always been an integral part of doing business, but became a part of the common business lexicon after the economic reforms in the early 90s. Social responsibility of business refers to the obligations of the management to promote and protect the interests of the society and environment. Accordingly, the objective of a business is not merely to maximize the profits, but also to serve the interests of the community and protect the environment. The Sachar Committee on Companies and MRTP Acts states "in the development of corporate ethics, we have reached a stage where the question of social responsibility of business to a community can no longer be scoffed at or taken lightly. In the modern corporate economic environment, the corporate sector no longer functions in isolation. If the plea of the companies that they are performing a social purpose is to be accepted, it can only be judged by the test of social responsiveness shown to the needs of the society." However, it will be quite idealistic to expect that businesses will purely be guided by social and environmental responsibilities only. The concept of corporate social responsibility as used in management science is that businesses should maximize their profits, subject to their working in a socially responsible manner to protect the interests of the society and environment. Mr. N.R. Narayana Murthy, chairman of Infosys makes the idea of corporate social responsibility clear when in a conference on corporate social responsibility he said, "corporate's foremost social responsibility is to create maximum shareholders' value working in a way which is fair to all stakeholders-workers, consumers, the community, the government, and the environment." He further pointed out that, "working in harmony with the community and environment around us and not cheating our customers and workers, we might not get anything in the short run, but in the long term, it means greater profits and shareholders' value" (Ahuja, 2010).

The most obvious link of corporate social responsibility to overall corporate performance is through the goodwill aspect. Reputation reflects the corporations' relative success in fulfilling the expectations of multiple stakeholders (Pednekar, 2012) .The goodwill of a company is a great profit-maximiser. It is created out of the behaviour of the business towards the society. It is a measure of the confidence that society reposes in the business, and this confidence is earned by steadfast adherence to truth, honesty, good behaviour, and dedication. With the growing social consciousness, the power of perception among the members of the society has increased by manifolds (Upadhaya, 1976). This analysis shows that there is a positive relation between corporate social responsibility, goodwill, and profit- maximization. CSR is not a spending, but it is an investment which will increase the sustainability of businesses and returns of the stakeholders in the long run. Even the Enlightened Self Interest Model given by Wallich and McGown in 1970 supports this argument (Ananthan & Shekhar, 2008).

The Companies Act, 2013 defines the concept of corporate social responsibility and the areas for which the contribution made will be considered as contribution made for corporate social responsibility. The implications of CSR in the backdrop of Clause 135 are discussed as follows (Goyal, 2013) : Every company having a net worth of ₹ 500 crore or more, or a turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which, at least one director shall be an independent director. The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee. It is estimated that near about 8000 companies will fall under the ambit of this provision. According to experts, the industry is likely to create at least 50,000 new job opportunities in the CSR sector. At present, the CSR work of a company is performed by the corporate communications team, but with the enactment of a new law, companies have to build a strong team of five - six people for this purpose. The number of career opportunities can even increase as big or small, every company is making efforts towards social good ("CSR to make available 50,000 more jobs in the sector: Experts.", 2013). The Corporate Social Responsibility Committee shall formulate and recommend to the Board a CSR Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII, recommend the amount of expenditure to be incurred on the activities, and monitor the CSR policy of the company from time to time. The CSR committee should concentrate only on 2-3 social issues for effective utilization of funds. The Bill and Melinda Gates Foundation, a benchmark for a social cause spending, chose just two areas of effective and measureable action: Education and health. Similarly, in India, the Azim Premji Foundation chose to focus on improving the quality of primary education for the last 12 years (Dhawan, 2013).

The Board of every company shall, after taking into consideration the recommendations made by the corporate social responsibility committee, approve the corporate social responsibility policy for the company and disclose contents of such policy in its report and also place it on the company's website, and ensure that the activities that are included in corporate social responsibility policies of the company are undertaken by the company. This will fulfil the company's commitment towards transparency in the era of Right to Information (RTI). It is observed that transparency is a prerequisite for effective implementation of policies and programmes. The Board of every company shall have to ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR policy. The companies should give preference to the local area and areas around it where it operates for spending the amount earmarked for CSR activities. In case the company fails to spend such an amount, the Board shall, in its report, explain the reasons for not spending the amount. It is estimated that CSR spending would help in translating between ₹15000-20000 crore, which would be 0.15- 0.20% of the gross domestic product (Nath, 2013). This will increase the total social sector spending. To attain the benefit of CSR spending for inclusive and sustainable development, it should be integrated with the social sector plan and spending.

The Schedule VII of the Companies Act, 2013 clearly identifies an indicative list of activities to be included by companies in their corporate social responsibility policies. These activities are mentioned as: eradicating extreme hunger and poverty; promoting education; promoting gender equality and empowering women; reducing child mortality and improving maternal health; combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria, and other diseases; ensuring environmental sustainability; provide opportunities for employment enhancing vocational skills and social business projects; contribute to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief, and contribute to funds set up for the welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities, and women; and such other matters as may be prescribed. It is observed that all these activities will help in the attainment of the objective of inclusive and sustainable development. Certain State governments have desired to integrate CSR spending with social sector schemes, and it will increase their pool of social sector spending.

Conclusion and Suggestions

It has been observed that the present budgetary provisions for the social sector, especially for the education and health sectors, are very low to attain the objective of a faster, sustainable, and inclusive development. The Centre and State governments' average expenditure on social sector, education, and health was 6.56%, 2.99%, and 1.31% of the gross domestic product respectively. In the pursuance of neo-liberal policies since 1991, the government is under pressure to make adequate provisions for the social sector due to resource crunch as from 2005-06 to 2012-13, the total revenue foregone for the corporate sector was ₹ 3111169 crore, which is equal to near about 31.02% of the gross domestic product of 2012 -13 (Pachauri, 2013) or near about 200% of the 2012-13 budget estimates; this is in addition to environmental damage caused by the corporate sector. In this context, 2% of average profits after tax of past three years on CSR activities is very low- as it is estimated that CSR spending would help in translating between ₹ 15000-20000 crore, which would be 0.15- 0.20% of the gross domestic product (2012-13). However, this is a right step in the right direction as this will help businesses to become economically viable and equitable, socially responsible, and environmentally sustainable. This analysis shows that the government cannot depend upon the corporate sector only for the transformation of the Indian economy towards the sustainable and inclusive development goal and has to invest in its people and environment by focusing on the social sector and environment.

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