

# Corporate Social Responsibility and Sustainable Enrichment in India

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*The neo-liberal development model essentially refers to liberalization, privatization and globalisation of the earth's resources for the greater benefit of the people. The emergence of big corporate and their ambition for the optimization of individual profits has not only divided the world between the rich and poor but have also led to an imbalance between development and environmental sustainability. Recent studies and surveys have shown that the earth is gradually becoming a dangerous place to live due to unsustainable human induced activities. Given that, the governments of many countries have stood up firmly to ensure that the ongoing developmental practices remain in optimal harmony with environmental sustainability as well as human security. Hence, the idea that environmental and social security are not only the responsibility of government but demands an effective participation from the corporate and business world. Although, much have been done in the theoretical domain to make Indian corporate aware of social responsibility and environmental ethic as an important segment of their business activity but very little has been achieved as yet. The paper is an attempt to highlight the importance of Corporate Social Responsibility as a tool to ensure greater participation of business entrepreneurs toward protecting the natural eco-system and enhancing the quality of life while undertaking a developmental activity. The study will also elucidate the theoretical and practical contribution of CSR toward achieving the goal of sustainable development in India. More importantly, the paper seeks to discuss the behavioural limitations towards evolving a culture of business ethic and social responsibility in the country. Finally, attempts will be made to develop a strategy to ensure greater responsibilities and participation from the corporate sector to ensure greater harmony between economic development, environmental sustainability and public safety.*

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**Key words:** Entrepreneurs, Environmental ethic, Human security

## Introduction

As a mode of implementing human rights, labour and environmental standards, Corporate Social Responsibility (CSR) have long been discussed as a possible remedy to the inequalities created and exacerbated by economic

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liberalization and globalization. It considers that a corporation is not just a self-centred profit-making entity but that the company and its actions are also integral to the economy, society and environment in which they operate (Herrman, 2004). In contemporary socio-economic scenario the concept of CSR has become widely integrated with business ethic in all parts of the world. The need of CSR is even more urgent in developing countries where economic disparities are more pronounced and both ecology and society are even more vulnerable to human induced environmental hazards. India is a country of magnificent contradictions. The country is widely afflicted with baffling economic disparity among urban, semi-urban and rural populace. Market based economic practice has further widened the scope of inequalities in the country. The emerging business culture of profit and competition has more and more marginalized social welfare issues such as, health, education and social security for the vulnerable section of the society into merely a peripheral pursuit. Given that, the government of India along with active civil society participation has tried to create a sense of business ethics and responsibility among the corporate both by legal and ideological means. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country. Private business enterprises like, TATA, Birla and Reliance are practicing the CSR for decades, long before CSR emerged as a norm to develop a culture of social welfare and environmental sustainability among the leading economic giants of the country.

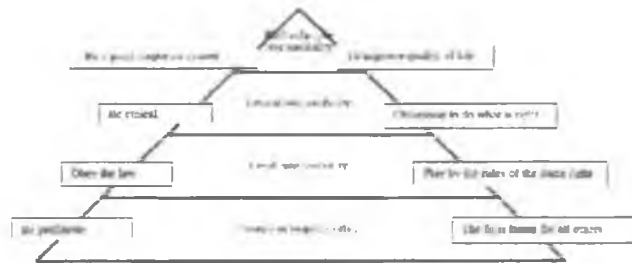
#### **Meaning and Definition of Corporate Social Responsibility**

CSR and business ethic focuses primarily on capacity building, empowerment of communities, more inclusive socio-economic growth, environment sustainability, promotion of environmentally benign and energy efficient technologies, development of underdeveloped regions, and upliftment of the marginalised and under-privileged sections of society (REC, 2013). Generally, CSR means that corporation and businesses in general while working on their main goal of maximizing their shareholders' profit should also keep in mind the societal concerns and needs and act responsibly towards the society in which they operate (Melikyan, 2010). World Business Council for Sustainable Development has defined CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local communities". The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then furnished by Wartick and Cochran (1985). However, the credit to define CSR at the global level goes to Howard Bowen (1953) who

highlighted the status and degree of responsibilities that business class should accept. Liberal thinker Milton Friedman defined the concept CSR in terms of owner's objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests (Urmila, 2012).

### Development of the Concept of Corporate Social Responsibility

The concept of CSR first emerged in the 19th century in Great Britain (Asongu, 2007). However, it was in the United States (US) which experienced the growing interest in CSR in the 1960s and 1970s (Vogel, 2005). Being as the chief architect of neo-liberal economic model, the responsibility to deliver social services such as, pensions and medical are primarily performed by corporate sector. The scope of CSR was widened in the 1980s which integrated corporate objectives with the social responsibility of business thereby making it responsible to care for environment, employees and also make good profits. The globalisation of economy further highlighted the importance of corporate responsibilities in other developed countries of the world.



**The Pyramid of Corporate Social Responsibility**

In the 1990s, Peter Drucker and many other authors propagated CSR as a part of corporate strategy (Urmila, 2012). Carroll (1991) presented a more systematic sequence of the development of CSR in his model as a pyramid which is shown in the above figure.

Carroll demonstrated that all these responsibilities have always existed to some extent, but it was only recently that ethnic and philanthropist dimensions have emerged a very integral part of business (Sharma and Kiran, 2013). Moreover, the post - 2000 period is observed as increased institutionalization of CSR laws and legislation although, social and environmental responsibilities of corporate world have not yet been codified and institutionalized with coercive mechanism in international political arena. There are three important non-binding institutional development regarding CSR. First, is the OECD Guidelines which were adopted in 1976 and were substantially revised in 2000. The OECD policy Guidelines aim to "encourage the positive contributions that multinational

enterprises can make to economic, environmental and social progress and to minimise the difficulties to which their various operations may give rise” (OECD, 2010). Second, the 180 members ILO declaration established in 1977 and revised in 2006 offers guidance in the fields of general policies, employment, training, conditions of work and life as well as industrial relations (ILO,2010). The aim of the ILO Declaration was to “encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise” (ILO, 2010). Finally, the UN Global Compact initiative, launched in 2000, also highlighted the importance of corporate social responsibility initiative in achieving the MDGs (Corell, 2005). Moreover, the United Nations Millennium Campaign, started in 2002, aims to ensure wider public and private participation to achieve the following Millennium Development Goals (MDG). “The Millennium Development Goals set time bound targets, by which progress in reducing income poverty, hunger, disease, lack of adequate shelter and exclusion – while promoting gender equality, health, education and environmental sustainability – can be measured. They also embody basic human rights – the rights of each person on the planet to health, education, shelter and security” (REC, 2013). In India, corporate social responsibility began in the form of charity and traditional philanthropy which was predominantly influenced by Gandhian Ethical economic model. The Ethical model was followed by Statist model of Nehru. The Statist economic model emphasised on the state ownership and legal requirements to decide the corporate responsibilities. After 1970, the Liberal model supported by Milton Friedman focused on adherence to law and creation of wealth and fulfilling CSR through taxation and private charitable choices. The post-1990 period experienced more direct engagement of corporate in mainstream development and concern for disadvantaged groups of society. This was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest sum 47 percent was spent through company programmes, 39 percent was given to outside organizations as aid and 14 percent was spent through company trusts (Prabhakar and Mishra, 2013). More importantly, the recently passed Companies Bill 2013 which replaced 1956 Companies Act has made CSR spending and reporting more stringent. The Bill makes the provision to constitute a Corporate Social Responsibility Committee of the Board for companies with having a specific profit layer. The Committee consists of three or more directors, out of which at least one director shall be an independent director (Ministry of Law and Justice, 2013). The Board’s report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee (Ministry of Law and Justice, 2013). Clauses 134

and 135 of the Act specifies that companies with net worth more than Rs 500 crore, or turnover more than Rs 1000 crore, or net profit more than Rs 5 crore are required to constitute a CSR committee to formulate CSR policy for the company. Companies are now obligatory to spend a minimum of 2 percent of average net profit earned during preceding three years before formulation of the policy (Singh and Agarwal, 2013). Furthermore, Section VII of the Companies Bill has considerably widened the ambit of CSR activities which now includes:

- Poverty eradication
- Promotion of education, gender equality and women empowerment
- Reducing child mortality and improving maternal health
- Combating AIDS/HIV, malaria and other diseases
- Ensuring environmental sustainability
- Employment-enhancing vocational skills and social business projects
- Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities and women.

#### **Current Trends and Status of Corporate Social Responsibility in India**

Recent studies and surveys have shown that India's CSR performance of public sector enterprises has been ranked some of the best in Asia. For instance, Coal India Ltd. (CIL) targeted to invest US\$ 67.5 million in 2010-11 on social and environmental causes. Similarly, NALCO has contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its CSR (Prabhakar and Mishra, 2013). India Inc has established a global platform to showcase the CSR performance of Indian business entities. In the same vein, Confederation of Indian Industry (CII) and the TVS Group collaborated to set-up the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It aims to provide consultancy services and technical assistance on social development and CSR (Prabhakar and Mishra, 2013). Given this, India has been named among the top ten Asian countries for its emphasis on CSR disclosure norms. The social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009, ranked the country fourth in the list. Similarly, in September 2010, 'Sustainability in Asia Reporting Uncovered' based on four parameters viz. General, Environment, Social and Governance has positioned India only second in country ranking in Asia and is ranked as first in general category (Urmila, 2012). However, private business entities have generated a mixed reaction from general public. There is no denying to the fact that some of the private enterprises have considerably contributed towards sustainable development and social welfare programmes such as, increasing green covers, introduction of more sophisticated

technology to reduce Greenhouse Gases emission, increased contribution in health, education, development of rural infrastructure and enabling the youth to get employment and thus live a life of dignity and honour. Business firms like, Reliance Industries, Tata Motors and Tata Steel have achieved admiration for their corporate social responsibility initiatives. Similarly, global business giant IBM has collaborated with the Tribal Development Department of Gujarat to facilitate development of tribal in the Sasan area of Gir forest (Prabhakar and Mishra, 2013). However, the race to optimise profits has equally added to environmental degradation in many parts of the country. For instance, the Comptroller and Auditor General of India, in its latest report brought out some serious irregularities on the policy of compensatory afforestation which aims to handing over forest lands for development and industrial projects in exchange for forests being grown on alternative lands and collection of net present value of the diverted land from the industries. The CAG has noted that against the forestlands handed over to development projects, 1, 03,381.91 hectares of non-forestlands were to be converted to forests. Out of this only 28,086 hectares were received and out of this compensatory Afforestation was carried out over a mere 7,280.84 hectares – just 7 per cent of the land that ought to have been received. The report reveals that some of the leading corporate entities of the country were provided large financial and legal gains while distributing government forest lands in violation of Supreme Courts' order and forest laws (Sethi, 2013). It is therefore important strengthen law enforcement and monitoring mechanism to control such anomalies in environmental and social responsibility of the corporate.

#### **Strategy to Ensure More Effective Corporate Participation**

According to Herrmann (2010) an effective CSR regime needs to focus on four important issues: setting standards; monitoring compliance with standards and exposing abuses; creating binding legal obligations; and enforcing those binding laws. However, in an era of ever increasing appetite for more and more luxurious life style it is becoming a daunting task to follow Herrmann's notion of effective CSR performance. Corporate operating in a market based economy believes in the quality and price of a product in order to attract maximum numbers of consumers. The national governments in both developed and developing countries are under tremendous pressure from corporate giants to minimize restrictions on their economic pursuits. In fact, powerful global business entities influence government policy making to a great extent. The current debate on climate change issue between developed and developing countries and the west's reluctance to enter into a legally binding green house gasses mitigation agreement shows the absence of CSR and business ethic

remains a low key issue for the global corporate. So, stringent enforcement of CSR laws and legislation has a very limited possibility to bring desired results.

There is a need to sensitize corporate and business classes toward evolving a culture of sustainable development and empathy towards nature and environmental vulnerable section of the society. The ideological apparatus remains a positive and constructive strategy to ensure greater compliance from corporate towards achieving the goal of sustainable development and a more humanistic version of economic development. Non-governmental organization, civil society and media have to play a pivotal role in this regard.

Gandhian ethical model could serve as a remedy to harmonize the conflict between economic development, environmental security and social welfare. It is worthwhile to quote what Mahatma Gandhi said in Harijan in 1942, "the rich should ponder well as to what is their duty today..... But understand that your wealth is not yours; it belongs to the people. Take what you require for your legitimate needs, and use the remainder for society".

In fact, the entire structure of society is interconnected and interdependent. Corporate needs people, raw material and a peaceful and enabled environment to sell procured goods which are available only in a society. Recent surveys have also shown that consumers have preferred to buy the products of those business entities which are more sensitive towards CSR. It is therefore for the best of corporate interest to harmonize personal interest with larger public interest for the greater welfare of society as well as corporate.

### **Conclusion**

Although, there are sufficient laws which focus on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach, there has been limited success in achieving the goals of CSR. Given the uncertain economic scenario coupled with widespread poverty and unemployment, it becomes very difficult on the part of government to take stringent action against national and multinational business firms to ensure greater compliance to CSR laws and legislations. Comparatively, lower environmental and labour standards of foreign direct investment targets are appealing to trans-national corporate because such lenience boosts production efficiency and increases competitiveness in the short term, resulting into increased profits and productivity (Herrmann, 2004). This is one of the leading causes for apathy to strongly enforce laws related to CSR in India. It is equally true that the relationships between various stakeholders in business are becoming more transparent, interdependent, responsible and harmonious. Country's public sector enterprises have one of the best CSR ranking in the world and some

of the private sector firms have equally earned praise for their efforts in the domain of education, health and welfare oriented schemes. Big welfare schemes like National Food security Act need active financial supports from corporate to make such schemes a success. Non-governmental organisations, civil society and media have further enhanced the scope for greater cooperation and harmony between corporate and the society in which they operate. Finally, we have a welfare oriented democracy in which our political classes should be sensitive towards the welfare of the common masses.

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