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CORPORATE SOCIAL RESPONSIBILITY INITIATIVES IN INDIA: CHALLENGES AND RECOMMENDATIONS

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ABSTRACT

Corporate Social Responsibility (CSR) is one of the unique examples of welfare enterprises by business community. The concept is not new but the way it is being implemented is really a matter of research. It is noteworthy that the corporate world itself suo-motu started taking interest in the welfare of people at large which included their own employees. Now the government in the light of liberalization, privatization and globalization wants to relieve itself from welfare functions since now it has limited resources to its end. Now the state wants more to be a regulator than to be a controller.

The article talks about the newly compiled CSR legislative mechanism which makes it binding on the corporate sector to share its profit with people from whom they have earned. The article also talks about the challenges of CSR Policy and means to resolve the same.

Key words: Corporate Social Responsibility, Welfare, Company Act.

Introduction

With the advent of privatised and liberalised economy, the welfare functions of the State are to be shared by the corporate world not as just a charitable function but as a legal liability. Corporate social responsibility (CSR) could only, contribute to nation-building in the long run. India, one of the populous countries in the world and home to the largest number of people, is in need of basic amenities, needs more intensive efforts as part of CSR.

Clearly, society expects the corporate sector, not to be only just wealth creators but distributors too. In addition to this, consumers continue to demand products that are safe, reliable and useful; services that are responsive to the changing needs; and advertising that is honest and informative. People expect business to help projects which are contributing to the protection of the physical environment and health for the safety of all from dangerous technologies or substances.

Non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. has been generally noticed and requires in-depth investigation and research. This article is an attempt in my part to analyse the CSR initiated by the Indian corporate sector and challenges faced by it. It also tries to make constructive recommendations for meaningfully implementing the CSR initiatives in the Indian context.

Historical Traditions

Given the vastness, complexity and contradictions of India, it is required that some minimum historical background must be oriented to if one is to have any hope of clarity regarding this subject.

In India, responsibility was traditionally limited to close affinities where one looked after members of one's own kins and kiths. More philanthropy could be seen to members of one's clan or caste. There was hardly any relationship with strangers. There may be instances, where, mythology has saintly or noble figures who cared for others, but that was more often an ideal situation rather than everyday reality.

In a society bound by notions of caste and fate, the idea of responsibility for the cultural, social revolution was caused by foreign influences. This started in the first century AD with St. Thomas (the disciple of the Lord Jesus who came at three separate times to India).¹ This foreign influence persisted with the advent of Islam from the seventh century onwards, as well as of outstanding later missionaries such as William Carey² in the eighteenth century, James Long³ in the nineteenth century, and C F Andrews⁴ in the twentieth century.

Influenced by such foreign ideas, Indian reformers, such as Guru Nanak⁵, Swaminarayan⁶, Rammohan Roy, and Mahatma Gandhi⁷, in turn, then launched reform movements which slowly began to change our values. We began to accept the equality of all humans, the value of work, stand for one's rights, respects the right of others.⁸

The socio-religious movements of the 19th century also understood the need for community service in education and health and hospitality. DAV, Ram Krishan Mission and other socio-religious entities immensely contributed to the welfare activities.

The industry also largely felt that CSR activities have their own benefits. The benefits are in terms of building a positive image and encouraging social involvement of their employees, which in turn develops a sense of loyalty for the organization. CSR activities help create a bond between employees as a team, which in turn helps in infusing a sense of dedicated workforce that is proud of its employer.

Levels of CSR Initiatives

During the Independence struggle, Indian companies which began to proliferate and prosper from the mid-nineteenth century industrialization were influenced by the national sentiments were involved in providing education, health services, and even clean water for its people. The advent of public sector enterprises started their progress from backward areas. They set up townships for their employees, followed socially desirable policies like job reservation, employing the persons with

¹ there were Christians in north India as a result of his preaching till the eighteenth century. And in South India, the "St Thomas Christians" exist to this day. Not large in numbers, Christians have had a culture-changing influence in India, particularly through their schools and hospitals.

² Vishal and Ruth Mangalwadi, William Carey and the Regeneration of India: A Model for the Transformation of a Culture, Nivedit Good Books, Mussoorie, India, 1993.

³ Geoffrey Oddie, Missionaries, Rebellion and Proto-Nationalism: James Long of Bengal 1814-1887, Curzon Press, U.K., 1999

⁴ Daniel O'Connor, The Testimony of C. F. Andrews, Christian Literature Society, Madras, India, 1974

⁵ J.S.Grewal, The Sikhs of the Punjab, vol. 2.3 of The New Cambridge History of India, Cambridge University Press, 1994

⁶ Raymond Brady Williams, An Introduction to Swaminarayan Hinduism, Cambridge University Press, U.K., 2001.

⁷ K. L. Seshagiri Rao, Mahatma Gandhi and C. F. Andrews: A Study in Hindu-Christian Dialogue, Publication Bureau, Punjabi University, India, 1969.

⁸ William Storrar, Christianity and Democracy, Handsell Press, Scotland, UK, 1997.

disabilities, helping the small-scale industries through their purchase policies setting aside their sheer profit motives. Indian companies started contributing to the welfare of people. Tatas, Birla's Bajaj, etc. started CSR projects at significant scale. These companies initiated one-time funding projects in Dedicated departments and organizations.

This trend emphasizes that CSR need not always to have incentives. Every citizen is duty-bound to understand his responsibility, whether he is an individual or is in a corporate capacity.

The CSR further could be understood from the following:

(A) Adhering to the legislative mandate from tax rebate incentives, Binding laws which include the company Act 2013, and recent amendment of 2019, adding with penalising provisions;

(B) induced by the norms of common morality, ethical business behaviour, fair play in its internal management and dealing with other business entities; and

(C) a confirming to the notion of social trusteeship in redistributing its surplus resources.⁹

Recently, the Parliament, in order to further strengthen the legislative mandate to carry out the CSR more effectively, has passed the Company Amendment 2019 Act wherein up to three years of jail is to be awarded to those who do not spend their net profit of two percent within a stipulated period.¹⁰ Over the year, it was seen that most of the corporates did not fulfil their commitment. 17 percent of the funds allocated for the CSR was lying unspent.

Though the Ministry of Corporate Affairs has not provided the updated data, yet in its Report of 2015-16, it has provided a dismal picture of CSR. Out of 5097 companies, only 580 companies spent more than 1 cr on CSR whereas Reliance Industry topped the list with 652.0 cr.

NTPC LIMITED spent about	491.8
OIL AND NATURAL GAS CORPORATION LIMITED	421.0
TATA CONSULTANCY SERVICES LIMITED	294.2
SOUTH EASTERN COALFIELDS LIMITED	270.9
ITC LIMITED	247.5
CENTRAL COALFIELDS LIMITED	212.8
NMDC LIMITED	210.1
TATA STEEL LIMITED	204.5
INFOSYS LIMITED	202.3
POWER FINANCE CORPORATION LIMITED	195.5
HDFC BANK LIMITED	194.8

Most of the companies which lavishly spent on CSR are traditionally carrying out CSR even without the existing laws.

Only 21 companies spent more than 100 cr on CSR. 2405 companies did

⁹ Business Daily from THE HINDU group of publications, Friday, Oct 12, 2007, ePaper

¹⁰ Ruchika Chitravanshi, India worried over three-year jail provision for violation of CSR norms 1st august, Business Standard News retrieved from the website: https://www.business-standard.com/article/companies/firms-fret-over-harsh-csr-norms-jail-term-in-companies-act-amendment-119073101867_1.html

not spend even a single penny. total of INR 9822.0 cr was spent during 2015-16.¹¹

The obligatory mandate of law merely is not sufficient to persuade the corporate to carry out the policy of CSR. Conscientious mode of thinking is somehow more relevant here in redistributing their surplus resources to the society to which it has claimed rights. Still, only those companies are at the forefront in undertaking CSR policies which were earlier also giving their best in the absence of any legal compulsion.

After Independence, though civil and political service was marred by corruption,¹² the compulsion of social engineering created the system of reserved seats for the lower "castes" enabling them to move up the socio-economic and political hierarchy to some extent.¹³ After the liberalization, privatization and globalization, and overall economic growth have created social space for the lower castes to a considerable level.

The newly created purchasing power of the citizen at large has further given a boost to the industry. The prosperous citizens would also make the political system more stable and democratic.

Corporates Worth Remembering for Their CSR Contribution

As pointed out earlier, there had been few role models who are at the helm of CSR activities even before any legislative incentives or punishment could be contemplated.

Tata Group, since its founding chairperson, Jamshedji Tata made adequate policies for the welfare of its workers, and other needy sections of the society. Tata Group launched various scholarships for students abroad. In 1892, it also supported a Gandhian campaign for racial equality in South Africa. In addition to establishing Tata Institute of Fundamental Research, it opened hospitals and libraries at different places.

Jamshed Irani, Director, Tata Sons Ltd, says, "The Tata credo is that 'give back to the people what you have earned from them'. Moreover 'he says that for any business to sustain in the long run, they have to look beyond business.¹⁴ Tata took a different line; welfare function was either the government, or charitable organizations' responsibility.

It is noteworthy that CSR in India was started by Tata in an organised way. Tata initiated various labour welfare laws in its own organisations, like the Welfare Department was introduced in 1917 and enforced by State law in 1948 in India. Maternity Benefits were started in 1928 by Tatas and enforced by the Indian state in 1946.¹⁵ the Tata Group feels that a country like India, which is lacking in public health, education and infrastructure needs a stronger mechanism for CSR. The Western counterparts are reluctant in spending the shareholder's money, and corporates are considering discontinuing Corporate Social Responsibility, says Irani, "Which is fine for them, but not for a country like India. The governments of the western world have a strong social security net so corporates can concentrate on making profits and paying taxes regularly, but in this regard, India still lags behind. We are far away from reaching that phase of economic development where the

¹¹ Ministry of Corporate Affairs, retrieved from website: <http://www.mca.gov.in/MinistryV2/csrdatasummary.html>

¹² S.K. Das, *Public Office, Private Interest: Bureaucracy and Corruption in India*, Oxford University Press, Delhi, 2001; Madhusudan Karmakar, *Bubble: A Study of Scam, Scandal and Corruption in Indian Stock Market*, Regency Publications, New Delhi, 1999; Bhure Lal, *Corruption: Functional Anarchy in Governance*, Siddharth, New Delhi, 2002; Tushar Kanti Saha, *Democracy in Danger: Criminality and Corruption in Lok Sabha Elections*, Kanishka, Delhi, 2000; Francis A. Schaeffer & Vishal Mangalwadi, *Corruption versus True Spirituality*, 1998.

¹³ Vishal Mangalwadi, *The Quest for Freedom and Dignity: Caste, Conversion and Cultural Revolution*, 2002.

¹⁴ <https://www.coursehero.com/file/p64j0k6j/vi-Easier-access-to-Capital-It-is-clear>.

¹⁵ Forerunners in corporate social responsibility, The Indian Express – March 16, 2005

government is solely responsible for the basic needs of the public. We don't have social security, adequate health and education services. So, until then, corporate houses should fill the gaps."¹⁶

Over the years, the Tata philosophy to 'Give back what you get' has been followed by many conscientious corporate entities. Be it is related to relief measures, rural development, health care, education and art and culture, empowerment of persons with disabilities, they have not hesitated to offer their commitment.

CHALLENGES TO CSR INITIATIVES IN INDIA

The Corporate sector faces several challenges in undertaking CSR Initiatives in a developing country like India.

1. **Ignorance of existing laws and mechanisms. People are largely unaware of CSR activities.** They still feel that welfare is essentially a State responsibility. Thus, the interest of the local community in participating and contributing to CSR activities of companies is not enthusiastically taken up by the community at large. At the grass-root level, the situation is worse.
2. **Incapacitated local NGOs:** A CSR initiative has to be taken by the NGO sector. If they lack the capability to carry out such work, then one could well understand the plight of CSR.
3. **Lack of transparency:** It has been found that NGOs do not disclose their internal administrative and functional apparatus to the funding agencies, which results in mutual distrust.
4. **Unskilled non-governmental organizations:** Certain CSR initiatives require professional skills, but most of the NGOs are started by unprofessional people just to satisfy their employment needs. The situation is worse in the far-flung areas where still people are largely illiterate and lack awareness about their rights.
5. **Negative role of media:** Generally, media is marked by negativity and is reluctant to highlight the positive contribution of NGOs. Wherever, it gets the opportunity to defame the NGOs, it never leaves that opportunity.
6. **Charity approach:** People have a narrow approach towards CSR. Those NGOs which are involved in the process are considered to be undertaking their functions in a donor mode.
7. **Different guidelines by each company:** There are hardly any universal guidelines for carrying out the CSR projects. Each company issues its own defined guidelines, which sometimes become difficult to adhere. The NGOs have to leave the project in between. The contribution is given generally at the end of the year. NGOs find it difficult to sustain the project.
8. **Duplication of projects:** NGOs are interested in popular projects. Sometimes they are doing the same thing to ease themselves. There is a lack of consensus amongst local agencies regarding CSR projects.

RECOMMENDATIONS

In order to carry out the process of equitable economic growth in the nation-building. CSR in India is going to play a vital role. After going through the challenges it faces now, the following recommendations are made:

1. There is a need for a team-building approach between corporates, their employees, government, and local professionals to carry out specific projects.
2. Media, along with the corporate world, should play a vital role in boosting the morale of NGOs in carrying out such projects which cater to the needs of weakest of the weak.

¹⁶ Das, Santanu. (2015). Corporate Social Responsibility Initiatives Taken for Rural Development in India. Sumedha Journal of Management, 4(3), 4

3. There is a need for constant auditing of these projects not from the angle of the financial aspect, but social audits must be as important as the other one.
4. There has to be a balance between the urban and rural distribution of projects. Still in India, where 70% of its population resides in a rural area, rural projects should be given more incentives by the government.
5. The government should duly reward the corporate entities and NGOs which are efficiently carrying out the CSR projects. They should be given tax benefits, special incentives in government schemes and special weightage while disbursing contracts.
6. CSR should be incorporated as a special academic subject in all courses. After all today's students would be tomorrow's professionals. If they have a fair idea what the CSR is, then only, they will be able to professionally handle the CSR projects.
7. As the recent data shows, there are only 21 companies which are spending more than 100 crore on CSR and they too are mostly public sector companies. The net of CSR should be increased for the smaller companies also.
8. Mostly, the companies are undertaking projects in specific areas and specific fields, like, health, education, environment, livelihood, disaster management and women empowerment, etc. as there is considerable overlapping of these projects. In order to avoid this duplicity, there should be a data bank for all the projects at the national level so that the projects could be regulated in a more transparent and meaningful manner.
9. The Planning Commission used to play a vital role in coordinating between the corporate sector, voluntary organizations, and the need of the people. Now this work has to be taken up by the Niti Aayog.
10. Though, the efforts are on to establish coordination between the stakeholders, yet implementation is still lacking at several points. There is a need for a strong mechanism to check the deficiencies at several points. It is the World Bank Report that 10% of the total budget should be spent on the monitoring process. Otherwise, howsoever one may go for big projects, they are bound to fail in the absence of proper monitoring.

In spite of the given scenario, people's aspirations still have to be fulfilled. The State cannot shirk its responsibility of being a welfare State. The CSR is just a top-up. It is essentially a western originated concept where the industry was overdeveloped, having its surplus-value drawn from technological development and process of colonisation, not only in the case of India, but all countries trading in the global market. In an increasingly interdependent world, CSR will not begin or end in Europe or the U.S., it is emerging as a truly global movement transcending regional and national limits.
