EVOLUTION OF CSR IN INDIA

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ABSTRACT

CSR in India has been from the ancient times. Earlier it was a form of the religious laws, but it started becoming a part of the business houses during the pre-independence time. During the late 1990s the term has gained popularity and all the business houses started during the time of industrialisation have also put in charity and philanthropy as a part of their business processes and strategy.

Keywords: History of CSR, evolution of CSR, stages of CSR.

1. DHARMADA TO SOCIAL RESPONSIBILITY

The concept of Corporate Social Responsibility has not been new for our country. Though the concept has recently received a public approval in the marketplace but it has been followed since the ancient times. Philosophers like Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical practices and principles of doing business[i]. The concept of helping the poor and needy are cited in our ancient texts and literatures itself. This idea further gained support by being entwined with various religious laws in many regions. Zakaat followed by Muslims which is donation from one's own earnings which is specifically given to the poor and disadvantaged. Similarly, Hindu follow the principle of Dharmada and Sikhs the Daashaant[ii]. In Christians the concept of Good Works to the needy and paying tithings to the church is relevant.

Many literatures on commencement of CSR in India also say that, from the pre-independence era itself many business houses were pioneered. India then saw the rapid growth of businesses during industrialisation. The businesses who were started during that era also believed in the concept of social responsibility. Hence, they put their belief into action by setting up foundations of charity for healthcare, education, orphanages. Some businesses also started up trusts for various community development purposes like village development, school building construction, training, awareness among people etc. The donations were either in the form of monetary, an act of kindness in the form of distribution of clothing, food, medicines etc. These

acts of charity and philanthropy became an integral part of all growing Indian businesses who spent their money from their own personal savings for these acts.

The term CSR itself came into common use in the early 1970s although it was seldom abbreviated[iii]. This concept gained complete recognition among people and institutions during the late 1990's and all sections of the society started supporting it. Business houses are now realising about the impact it is making in the society. In order to give a right response to these issues, the business houses are now engaging in various social and environmental activities. The current need is to formulate effective strategic policies and adopt various instruments. These instruments which a company designs is based upon the company's background, their products and services, their relationship with various stakeholders etc. The CSR strategy for every business house will be different. Depending upon their overall corporate goal, only then CSR can be implemented which will lead towards a sustained environmental, social and economic growth[iv].

The various kinds of philanthropy work which can be seen being done by Indian companies are on healthcare, education, community development, rural development, sanitation, governance, self-empowerment, awareness, microcredit, women empowerment etc. The scope of philanthropy has been increasing. With the increasing contemporary issues of the society, CSR also has been updating its works and trends. And in todays times there are specialised organisations who take up the work of CSR. Several surveys suggest that many organisations have taken up CSR as one of their core activities, but they seem to be still in a state of ambiguity. They do not have the clarity on what kind of items would fall under them and how to go about performing these activities. There is a lack of clarity among many organisations and people also. Many individual company's define CSR in their own corporate pattern, in their own limited understanding, contexts and ways. The fallout of all the surveys also state that all the activities done under CSR are nothing more different than philanthropy or an extension of charity works with a corporate style. CSR has primarily been evolving in India out of profit distribution, but it is different in the case of Philanthropy. Philanthropy's main idea stems of the doing charity from one's own personal savings. There is an urgent need to increase the understanding and active engagement of business houses in equitable social development so as to make it as an integral part of their good business practice.

The general shift in direction from philanthropy to strategic philanthropy according to the latest literatures[v]. The focus of corporate shifted from philanthropic donations based on their profits to strategic involvement. Rather than only showing a monetary value they have started participating by showing their presence in many of these philanthropic activities through continuous interactions and a prolonged time of interactions. The companies should not blindly throw away

the money rather they should also benefit from their philanthropic activities. A philanthropic activity can only benefit the businesses once they also understand the social needs of the areas where they are operating and aligning their expertise in identifying those social needs and in engaging in activities close to its areas of operation.

Because of the mushrooming of charity into philanthropy and now into CSR, with social entrepreneurship also making its pace. Businesses are not much interested in increasing their investments rather they are more interesting in expansions through socially responsible investing. Transformation of Entrepreneurship development with not just the motive of making a profit but also to bring in social transformation in the society. Enterprises that are dedicated to solving social problems make themselves socially responsible enterprises. Enterprises that apply the principles of business to social problems make themselves also socially focused enterprises. There has been an increase in the existence of such firms. The motto of these firms is not driven by increasing the shareholder wealth rather it is to bring in a positive social impact in the lives of its stakeholders. Social ventures are now becoming the trend in the business sectors. Venture capitalists are now supporting social start ups and social ventures a lot. These venture capitalists look at the future of these budding social entrepreneurs and accordingly invest their money in it and they take the responsibility of training these social entrepreneurs.

Communication is an important medium for sharing any message with the audience. Strengthening the communication is very important for any business house. In India, in general it is observed that the method of communication used and the development and welfare activity which a business is using does not integrate with each other. Rather the objective of the communication ends up becoming different and the objective for a business to do a welfare activity becomes different. In India, there are no proper reporting standards issued. There is confusion and ambiguity among them. Nowadays, the reporting standards followed increasingly by many Indian companies are on Global Reporting Initiative (GRI). The vogue of using GRI is increasing among corporates but the number of members using it are limited only. One of the important components of CSR is also now reporting of green standards. Environmental destruction has shown a matter of concern in these contemporary times. Formulation of proper policies will help companies streamline their Environmental efforts also. Every company should have their own Environmental Management System. These EMS helps companies to become more efficient in their role towards the government and the civil society. Since CSR can have implications for government and the civil society, hence companies should think about the adhering to these initiatives.

Corporate Social Responsibility, according to The World Business Council for Sustainable Development is - "*Corporate Social Responsibility is the continuing commitment by business to*

behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"[vi].

Mallen Baker defines CSR as "Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business[vii]." Corporate Social Responsibility is basically keeping the triple bottom line of business intact i.e. financial profits, social development and environmental protection. CSR is not just about doing good but it is mainly about how business processes provide an overall impact in the society in a positive way. It was earlier restricted to only philanthropic activities, but it has now taken a major role in the company's strategic plans. Even new businesses and budding entrepreneurs are putting importance on CSR acting as a strategic tool. This tool helps in understanding the accountability of a company to its stakeholders.
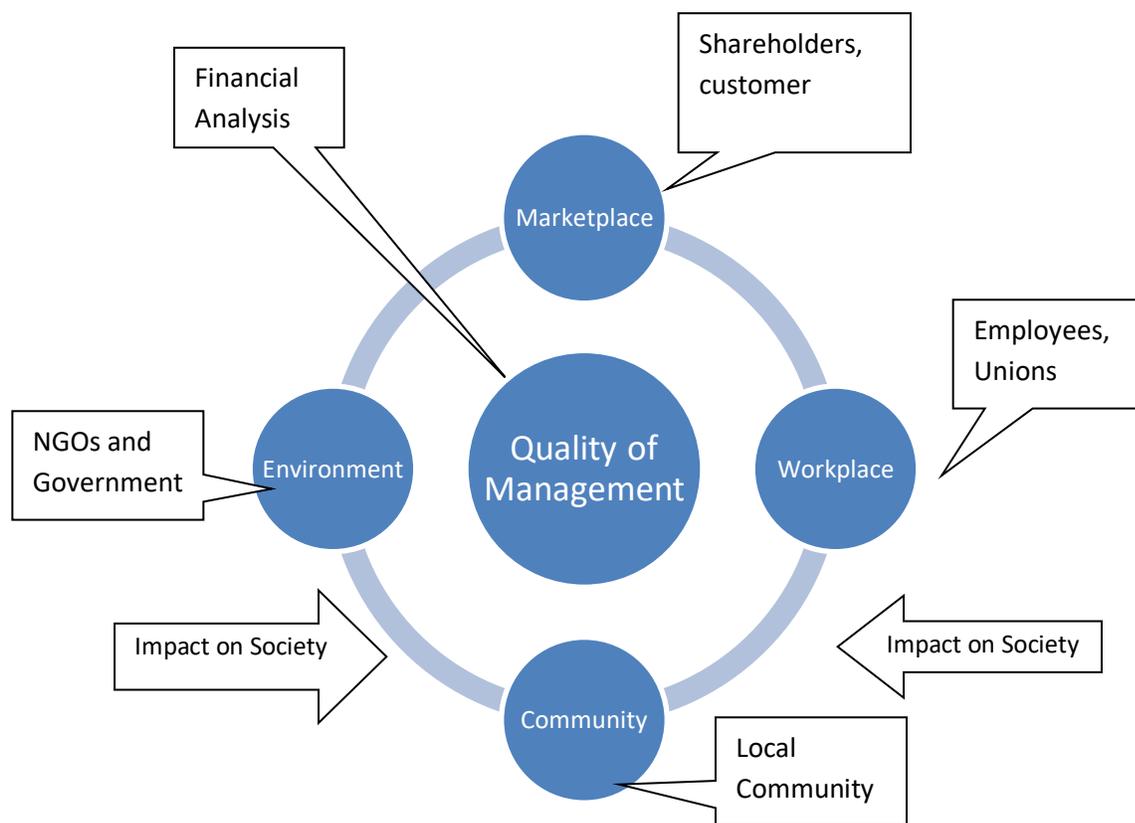

Diagram adopted from Mallen Baker[viii]

The Business in Society, Diagram by Mallen Baker

In the above diagram, it is the responsibility of the management to provide quality to its direct and indirect stakeholders. Every organisation focusses on the profit making aspect by building in strong overall quality control in its internal processes. They are inturn responsible for also impacting the environment and society through their people and processes. This diagram shows how quality is to be maintained and provided at the marketplace, workplace, community and environment. In a workplace the quality of employees, their behaviour, their code of conduct, their quality of performance, their contribution towards the organisation, their motivation to do good for the organisation all these factors lead to providing a quality work within the organisation. Other factors also like in the marketplace, the government, shareholders, customers, vendors, third party, institutions are the direct effected party.

2. STAGES OF CSR IN INDIA[ix]

The evolution of CSR in India happened over four phases. The fundamental belief behind CSR was that not only the government is responsible for social and environmental development but also the corporate.

The four phases of CSR in India:

Four phases of CSR in India

Phase 1: Pure philanthropy and charity during industrialization

Phase 2: CSR as social development during the independence struggle

Phase 3: CSR under the mixed economy paradigm

Phase 4: CSR in a globalized world in a confused state

Figure 1.2: Four phases of CSR Development in India

2.1 First Phase

In the first phase of CSR development in India charity and philanthropy were the main factors influencing CSR. Until 1850, CSR was majorly controlled by wealthy merchants. These merchants gave away a part of their money to causes like temple building, providing food during famine and epidemics from their godowns. But this approach changed during the colonial rule over India. However, during the industrialisation many industrial families gained much power and wealth like the Tatas, Birlas, Godrej etc. But all of these industrial families were inclined towards making a social and economic development. However, it was observed that the growing firms during the 19th century had their efforts driven not only by selfless and religious motives but also influenced by caste groups and political objectives.

2.2 Second Phase

In the second phase of CSR development the Gandhian philosophy of Trusteeship came into light. According to this philosophy, the wealthy people would become the trustees of trusts who served for the welfare of the common people in general. Mahatma Gandhi believed that it is one of the ways in which the wealthy industrialists could part away with their wealth to help the poor which would internally keep them detached from the slavery of money as a greed. This philosophy shaped the second phase of CSR during independence. Under his influence, many industrialists had established trusts for the establishment of schools, colleges, training institutes and scientific research centres. Many industrials were under the pressure to practically exhibit their commitment towards nation building and providing social and economic development. The vision of the trusts was in complete amelioration with Gandhi's philosophy on trusteeship which sought to expunge untouchability, inveigle women empowerment and rural development.

2.3 Third Phase

The third phase of CSR development in India is recorded between the period of 1960's to 1980's. These 20 years saw the prominence of Public Sector Undertakings (PSUs). PSUs had the objective of promoting equitable distribution of resources to the needy and was set up by the state. This was a period of license raj. The policy of industrial licensing, high taxes and restrictions on the private sector described this era as command and control. Because of the high restriction on private sector, the malpractices were also observed to be high in the corporate. Now, in order to control the growing corporate malpractices the legislation on corporate governance, labor and environmental issues was executed. However, the PSUs were effective only to a certain extent because of which the expectation shifted from a public sector to a private sector. Hece, the involvement of private sector in the socio-economic development of the country became a necessary consequence. In 1965, a national workshop on CSR was organised.

This workshop was organised by Indian academicians, politicians and private companies. The aim was the reuniting of all the stakeholders involved in the mechanism of CSR in India. They accentuated upon transparency, social accountability and continuous dialogues with stakeholder. Despite these efforts CSR failed to catch up.

2.4 Fourth Phase

In the fourth phase of CSR development, since the 1980s onwards CSR companies started to integrate CSR in their sustainable business strategy. In the 1990s, India became an open economy; that is, India became liberalised, privatised and globalised. Hence, the need to follow international standards became even more important. The need for Indian companies

Controls and licencing system was partly done away with which gave a boost to the Indian economy. The impetus gained by India becoming an open economy led to increased growth of Indian companies and their willingness to contribute to the social cause of the nation. As international markets are becoming more compliant with labour and environmental norms, it is necessary for Indian companies who produce, manufacture and export goods have to vigilant in consciously in being compliant with those international standards.

2.5 Current Phase

In the current phase of CSR in India, the Company's Law of 2013 has given separate priority to the concepts of CSR and Sustainable Development. Under this Act, the corporates have to spend 2% of their average net profits if the last three financial year. This is applicable for companies with a turnover of INR 1,000 crore. Whereas, the Public Sector follows the guidelines given by Department of Public Enterprises (DPE). These guidelines are issued by Ministry of Heavy Industries and Public Sector Enterprises. The guidelines of CSR for PSUs was developed in 2010. However, CSR was followed from a long time and on a voluntary basis many company's have resolved to do CSR following their own company's ideology.

ACKNOWLEDGEMENTS

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