Evolution of Corporate Social Responsibility in India

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Abstract- **CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues. However the phases are not static and the features of each phase may overlap other phases. Under the new Companies Act, CSR will become mandatory for companies with profit of Rs 5 crore and more. Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process.**

I. EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the most richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realised then the CSR approach of corporates has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

II. THE FOUR PHASES OF CSR DEVELOPMENT IN INDIA

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

A. The First Phase: In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.

B. The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "*I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories.*" This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

C. The Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and

environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

D. The Fourth Phase

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing{Gajare, R.S. (2014). A conceptual study of CSR development in India. In D.B. Patil & D.D. Bhakkad, Redefining Management Practices and Marketing in Modern Age Dhule, India: Atharva Publications (p. 152-154).} and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about and labour and environmental standards in the developing countries, Indian companies who export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

III. CURRENT STATE OF CSR IN INDIA

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group,and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing

number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainsteeam business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on.Many of the companies are helping other peoples by providing them good standard of living.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy . The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes . Partnerships between companies, NGOs

and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

IV. CORPORATE SOCIAL RESPONSIBILITY MANDATORY FOR CORPORATES FROM APRIL 1

Under the new Companies Act, CSR will become mandatory for companies with profit of Rs 5 crore and more, said Bhaskar Chatterjee, director general and chief executive officer of the Indian Institute of Corporate Affairs, Ministry of Corporate Affairs. Chatterjee said: "CSR, which is made compulsory under the Companies Act and was passed by parliament, comes into effect from April 1, 2014,"

"All companies with turnover of Rs.1,000 crore and more - or a net worth of Rs 500 crore and more or net profit of Rs.5 crore and more - will have to spend at least two percent of their three-year average profit every year on CSR activity," he said.

Nearly 150 environment, CSR professionals and experts are attending the two-day meet organised by a Delhi-based non-governmental organisation Greentech Foundation in support with the Indian Institute of Corporate Affairs. "From April 1, all 16,245 registered companies have to nominate three members for their CSR committee from their board. Companies cannot do whatever they want and claim it as a CSR activity according to the new law," Chatterjee said. "Under the new rules coming into effect, anything done the employees is not CSR, it is a human resource activity. Compliance with any rule or regulation is not CSR. Companies should take up this role and voluntarily do it beyond the rule," he said.

"Any activity done must have been the part of the CSR policy of the company which must also be made available on the company's website. CSR must be conducted by professional implementation using implementing agencies," Chatterjee pointed out. He added: "The project should have a starting time and an ending time. Any activity that has not been given board approval, passed by the board and does not have a board resolution number is not CSR." Kamleshwar Sharan, president of Greentech Foundation, said that with the new rules, the CSR economy will grow many times.

V. WHY DO COMPANIES ENGAGE IN CORPORATE SOCIAL RESPONSIBILITY?

The collapse of the Rana Plaza factory in Bangladesh exposed the unsafe working conditions that garment workers endure across the developing world. The tragedy also revealed the inconsistencies of some companies with respect to corporate social responsibility (CSR).

In the case of Walmart. A month after the disaster, it refused to sign on to the safety measures adopted by more than a dozen European firms. Those companies, including H&M, Carrefour and Marks & Spencer, backed a plan in which they agreed to have rigorous, independent inspections of the factories they contract with in Bangladesh and to help pay for improvements in building safety. Gap, too, has been particularly vocal in its opposition to the initiative. The world's third-largest apparel company says it supports much of the plan, but has suggested a change to it that would significantly restrict any legal liability for a company that violated it. (Gap did not use workshops in Rana Plaza. Walmart has said that no authorized Walmart production occurred there, but one of the factory's workshops, Ether Tex, listed the retailer as a customer on its website.) Walmart and Gap, along with other retailers and the main retail federations, are forging their own plan to promote safety in Bangladesh's apparel industry. This effort will seek to "develop and implement a new program to improve fire and safety regulations in the garment factories of Bangladesh," according to the Bipartisan Policy Canter, the non-profit group that is spearheading the plan.

Despite their high-profile -- and widely criticized -- resistance to the originally proposed safety measures, Walmart and Gap would no doubt be quick to cite their initiatives in other areas: Gap is often considered an industry leader in CSR, and both companies have proclaimed themselves as champions of efforts promoting women. To some, the companies' rejection of the European plan -- while also touting these kinds of social programs -- appears contradictory, even hypocritical. A cynical view might be that when firms trumpet their efforts to produce organic foods, sell fair-trade T-shirts or just make the world a better place, they are diverting attention away from the more unseemly elements of their business strategies -- such as polluting the air, manufacturing goods in unsafe factories or exploiting workers with low wages. "You can look at the ways in which companies selectively engage with certain CSR issues as being hypocritical, sure, but at the end of the day, as a company, you can't put money into everything," says Americus Reed, professor of marketing at Wharton. "Rational decisions are being made. It's not a conspiracy or manipulation."

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