

# REFLECTION & EXCOGITATION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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## ABSTRACT

*In the country like India the origin of social responsibility can be traced from its Upanishads & Vedic literature. The India can feel proud that it has a deep rooted culture of sharing & caring i.e. social responsibility has been informally practiced in India from ancient times in philanthropic form i.e. donations & charity to the poor and unprivileged. The term corporate social responsibility (CSR) seems a new reflection to the deep rooted Indian culture of sharing & caring. But the ancient Indian history says that thought & notion of CSR dates back to the Mauryan period, where Kautilya emphasized on ethical practices & principles while conducting business in his great philosophy. Other Indian scripture has also mentioned the importance of sharing one's earning with the deprived section of society. This chapter tries to explore the richest tradition of corporate social responsibility in India & its present scenario.*

**Keywords:** Corporate Social Responsibility, CSR, CSR in Indian Culture, Kautilya Philosophy of CSR, Philanthropy.

## INTRODUCTION

Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders (Perrini & Tencati, 2006). CSR is generally understood as being the way through which a company achieves a balance of economic.

Corporate Social Responsibility - A Sapling Ready to Bloom defines CSR as the responsibility of enterprises for their society impact. To completely meet their social responsibility, enterprises should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their shareholders.

The term social responsibility has been implies in the perspective of business that companies and organizations have to contribute towards the social welfare of the society. Sharan characterizes it as the, "*behaviour of the organization*". Behaviour of an organization should be moral and stable towards its commitments to investors, workers and customers. It will be possible when organization provides fair and regular dividend to its investors and shareholders. With this organization has to follow a fair policy with the customers and they should be asked to pay a fair price. Finally the socially responsible behaviour of a company benefits every stakeholder directly or indirectly related to it in the future.

Social Responsibility is inherent feature of Indian Culture-The concept of "*Good Governance and Responsibility of Business*" in present era termed as corporate social

responsibility is not new for one of the most ancient culture of India. Vedic Darshan is saying the importance of “*Sarva Loka Hitam*” i.e. well being of whole nature. It has achieved importance again in the present time, which is full of unexpected difficulties & new hope, reflected by the effect of Globalisation. *Sarva loka hitam* i.e. well being of whole nature i.e. well being of multi stakeholders.

Om Shaantih Shaantih Shaantih! (Brihadaraanyaka Upanishad 1.4.14); Meaning of these lines reflects the welfare of whole nature; including every person whose existence is exist in the world & in relation to CSR it means:

1. Sarve Bhavantu Sukhinah: i.e. may all become happy means all stakeholder of an organisation or company become happy.
2. Sarve Santu Nir-Aamayaah: i.e. may all be free from illness means Rehabilitation of every industry or Company of whole world (as soon as possible after the period of sickness)
3. Sarve Bhadraanni Pashyantu: i.e. may all see what is an auspicious means all organization / companies must listen the voice of inner soul and work with best ethical practice for good governance.
4. Maa Kashcid Duhkha Bhag Bhavet: i.e. may no one suffers means for achieving the goal of sustainable development, every company must work for ecological balance also.
5. Om Shantih Shantih Shantih: i.e. Om Peace, Peace, Peace means for economic growth & ecological balance, peace is compulsory, so every person get peace and peace exist all around for sustainable development.

In addition to above Kautilya’s philosophy said that for good governance, all administrators, including the king were considered servants of the people (Kautilya’s Arthashastra). According to his philosophy the king has no individuality of his own. He is for the people & of the people. In short CSR was differently but eloquently explained by Kautilya.

The philosophy of corporate social responsibility is all about the self regulation. It is observed that the teachings of spiritual thoughts of Nishkam Karma in Bhagvad Geeta provide good direction in the discharge of responsibility towards “*triple bottom line*” i.e. people, planet and profit (Kumar, 2012). There is no existing fact in any of the great scriptures of all the religions which may deny providing the immense wisdom for inculcating values and ethical norms in the corporate world, which can be the basic ethical conduct of business. A lot of literatures are available which deal with the interplay between spirituality and business. Vedic perspective to study corporate social responsibility provides the idea of Nishkam Karma and its relevance to CSR practices and initiatives (Bahadur, 1983). The philosophy of Nishkam Karma demands freedom from “*I-Me-My-Mine Syndrome*”. In this way Nishkam Karma helps to realize us that “*beyond profits are more profits*”.

Inherent in the Indian Culture the next roots of corporate social responsibility can be traced back to 1917, when Henry Ford announced that the aim of Ford Motor Company is that To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it, and incidentally to make money (Lee, 2010). Eighty years later, Henry Ford’s great-grandson, William Clay Ford Jr. emphasized that Ford company valued all stakeholders’ interests as well as the social welfare of employees and shareholders, as he said that we want to find ingenious new ways to delight consumers, provide superior returns to shareholders and make the world a better place for us (Wang, 2015). From a business practice perspective, Ford was one of those companies, who initiated social responsibility activities. From a research perspective, many scholars believe that Bowen’s Social

Responsibilities of the Businessman in 1953 is the first work to discuss the relationship between corporations and society (Carroll & Buchholtz, 2014). In this book Bowen in 2013 argues that firms need to be cognizant of business ethics to achieve long-term superior performance.

## Objective

This chapter is based on the exhaustive review of literature of corporate social responsibility and traverses through the different dimensions of CSR specifically in spiritual terms by keeping the following objectives in consideration:

1. There is the requirement for the developing world to know & make the proper understanding of CSR, & they have to be more critical perspectives to understand what CSR does and could mean for the poor and marginalized in developing countries (Blowfield & Frynas 2005), So the first objective of this study to explore the status & functioning of corporate social responsibility in the modern India.
2. Lessons from Indian spiritual traditions tells that we have to find out the ultimate purpose of life which will happen by developing connection & relationship with the inner selves of others & it can further encourage the development of virtues like compassion & forgiveness (Pardasani et al., 2014). So the second objective of this study has to define the story of different spiritual routes of development of corporate social responsibility in India.
3. An economic model in emerging economies reflects the attempts of governments, policy makers & audit committees which are very significant to approve public policies so that firms receive higher attention towards the various groups in society (Khan et al., 2013). Therefore the third objective of this study is to define the various policies of corporate social responsibility prevailing in India.
4. As Upanishads & Vedic literature are highlighting the responsible behaviour of Indian entrepreneurs due to which CSR has gained emphasis in India, there are several issues challenging its effectiveness & some of the various challenges facing CSR initiatives absence of regulations, training, self-centredness & the inclination of people towards modernization is additional problems which reduces their notions of responsibility & initiatives towards the welfare of society (Shyam, 2016). So the last objective of this study is to explore the various challenges faced by corporate social responsibility in India.

## RESEARCH METHODOLOGY

The research is mainly exploratory in nature and is based on qualitative research methodology, which is the interpretation of the teachings of Upanishads, Bhagvad Geeta and other ancient and spiritual literature.

## LITERATURE REVIEW

It is well known that business is significant part of society but business cannot move in isolation. In this way, corporate social responsibility is a concept by which business organisation not only consider their economic growth and shareholder's profitability but also consider the well being of society & environment, by realizing their own responsibility for the impact of their own activities on environment, various stakeholder & all other members of society at large, to face the unprecedented challenges arise due to globalisation in 21<sup>st</sup> Century.

The German philosopher Immanuel Kant has explained duty-based philosophy of corporate social responsibility. CSR strategies encourage the company to make a positive impact on the society and community including consumers, employees, investors, communities, and others. Kant has developed his philosophy on moral basis for using an ethical law from the

concept of duty. He started his ethical theory by arguing that the only virtue that cannot be unqualifiedly the goodness is goodwill. There is no other virtue which has got this status because other virtues can be used to attain the immoral ends. This is clear with an example that the virtue of any one's loyalty is not good if he is loyal to an evil person. The goodwill is unique that is always good and maintains its moral value even when it fails to achieve its moral intentions (Watthanabut, 2017).

So, it is important to know how the companies approach CSR from the duty-based philosophy of Kant. The different researchers argued that the people should act out of moral obligations. For example if someone is observing other that he is begging for a coin on the road and he is not having any feeling of care for that person. But by having this type of inhumane feeling if he will help him in anyway, because he feels that he has a duty to, or that it is the right thing to do. That's coming from public pressure, but not from his true respect or empathy for that person. This is same with the corporate social responsibility efforts.

CSR initiatives are very important in the context of business ethics (Maignan and Ferrell, 2004). During the last 57 years, several findings have caught the attention of CSR practitioners and scholars. These include studies which suggested that CSR activities provide an "insurance-like" protection when negative events happen (Godfrey et al., 2009). CSR activities not only influence sales growth, but also influence the employment and investment domains (Sen et al., 2006). So the firms with higher CSR ratings may have a sustainable competitive advantage rooted in human capital as they attract more and better employees than firms with lower CSR ratings (Wang & Gao, 2016). Consequently, in order to pursue sustainable development, and, achieve a good reputation in a fiercely competitive market, more and more companies are publishing their CSR disclosures and CSR reports.

An English Philosopher Jeremy Bentham has given the utilitarian approach for doing CSR by the company. He argued on a unit-based approach. Unit – based approach believes that as long as the outcome is bigger than the input, the action is justified. In the same way profit-driven organizations considers CSR from the utilitarian perspective as a way of gaining a business advantage and to recuperate from the loss of reputation (Chun, 2016).

The 21<sup>st</sup> century has given the unprecedented challenges to the business in India (Carroll & Buchholtz, 2014). This is the fact that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This is indicating that the business should have the sense of corporate social responsibility. While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them.

Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility.

A German philosopher Hegel has given the concept of Moral Corporation and it is discussing the two sides of a corporation, one business oriented with dedication to shareholder-

value and profit-maximisation and other dedicated to moral life, *Sittlichkeit* (ethical), in Hegelian terms. By relating Hegel's thought of a *sittliche* corporation to the modern business corporation reader's can relate somewhat of a thought experiment as it asks readers to relate moral philosophy of *Sittlichkeit* to the modern business corporation although many of the researcher of Hegelian philosophy argue that both are not the same. Hegel argues on the tendency of the present life and told it is categorized by economic & legal individualism. He told although these two plays a positive role in modern society but there will be a requirement of institutions that will establish common bonds and ethical life while preserving individual freedom. His idea was that every state must standardize the economy in such a way that it will provide something to the poor and that there should be corporative institutions just like a modern trade unions having people from various working areas, which have a sense of belongingness and a feeling of being associated to a large society (Klikauer, 2016).

A German philosopher Karl Marx has given the surplus-value concept to define the interest of companies in computing the production cost at the time of producing large quantities of items to support high consumer demand (Little, 1986). Marx tells that surplus-value in the production process is directly significant in improving the quality of society and employees when products are produced and sold to support the demands of consumers (Marx, 1981; Yee et al., 2017). As a result, surplus value in production should be possible when companies give their attention on improving the living standards of their workers & neighbouring society.

## HYPOTHESIS & DISCUSSION

**H<sub>1</sub>:** *India has a significant status & functioning of Corporate Social Responsibility.*

As the paper previously discussed that social responsibility is present in the value system of Indian culture & its perception of social responsibility unique from other countries (Miller et al., 1990). So the status of Social Responsibility that it is inherent in Indian culture. It can be seen in the philosophies of Vedic Darshan, Upanishads & Kautilya.

With the passage of time it has taken the form of philanthropy, and then Gandhi jii has given the trusteeship model. In the sphere of political philosophy "*Trusteeship*" is the great and novel contribution of Gandhi jii, and it was the economic extension of his political philosophy. Gandhi ji had a view of "*social trust*" of all material property. The owner of property must not take more than what was needed for a moderately comfortable life. The other members of society related to the property were jointly responsible with the owner for its management and were to provide welfare scheme to all. The owner and the rest of people should regard themselves as trustees of the property. The writing of a draft on Trusteeship was the result of long discussion with Gandhi jii and a group of socialists. The final draft of trusteeship model said:

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. Instead of the capitalist, it gives the owning class a chance of reforming itself.
2. It does not support the right to private ownership of property.
3. It does not exclude legislative regulation of the ownership and use of wealth.
4. It calls for both a decent minimum living wages and the fixation of a maximum income that allowed to any person in society. The difference between such minimum and maximum income limit should be reasonable, equitable and variable over time.

5. Economic production should be determined by social necessity and not by personal whim or greed. He said, “*We can say that Trusteeship is a legal fiction. But if people mediate over it constantly and try to act up to it, then life on earth would be governed for more by love than it is at present.*”

So, CSR in India, has its path from institutional building (educational, research and cultural) to community development through various projects. Previously, CSR remains largely restricted to community development, now it is getting more strategic in nature (Singh & Verma, 2014). Now it is given in mandate of Indian corporate social responsibility law that the reporting & demonstration CSR activities on the official websites, annual reports, sustainability reports and even publishing CSR reports are compulsory for the companies (Sharma & Kiran, 2013). Hence all these facts are proving a significant status & functioning of CSR in India.

*H<sub>2</sub>: India has a significant story regarding the development of corporate social responsibility.*

The chronological scenario in the development of CSR in India (Arora & Puranik, 2004), is witnessing a significant story regarding its development which is as follows:

### **Ethical Aspect (1930-1950)**

Ramakrishnan has argued that Indian way of CSR is very different from the western. Ethical aspect of CSR believes on the promotion of trusteeship that was revived and reinterpreted by Mahatma Gandhi (Ramakrishnan, 2016). Under this notion the businesses were motivated to manage their business entities as a trust held in the interest of the community (Srivastava et al., 2012). This approach of Gandhi Jii has covered many family owned businesses to contribute towards socio-economic development. The contributions of Tata group towards the well being of the society are also proving the importance & significance of this model.

### **Statist Aspect (1950-1970)**

It has its existence from the aegis of the first Prime Minister Pt. Jawaharlal Nehru, in this period India has got the mixed and socialist pattern of economy. This model is saying the decision regarding the corporate responsibilities, requires state ownership and legal parameters (Bansal, 2013).

### **Liberal Aspect (1970-1990)**

Following the assumption of Milton Friedman who has encapsulated this model as Perth model. The assumption of Perth Model is saying corporate responsibility is confined to its economic bottom line (Prabhakar & Mishra, 2013). This implies that it is sufficient for business to obey the law and generate wealth, through taxation & private charitable choices can be directed to social ends.

### **Stakeholder Aspect (1990-Present)**

This aspect came into existence in 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfil (Crowther et al.,

2005). The model expects companies to perform corporate social responsibility under triple bottom line for the benefit of all stakeholders.

*H<sub>3</sub>: India has significant policy regarding corporate social responsibility.*

Many governments in the world have taken an initiative towards CSR. About 15 years ago Indonesian government has introduced the statutory law for promoting CSR. In the same way by incorporating the New Companies Act, 2013 the government of India has also announced the mandatory policy of CSR. This mandatory aspect of CSR has given the guidelines for promoting the CSR activities by the companies running in the country with greater transparency and disclosure under Schedule VII of the Act (Sharma, 2013). Clause 135 of Company Act 2013 created the mandatory regulation among the business community in India. As per clause 135 of the Companies Act, 2013, every company with an annual turnover of 1,000 crore INR (\$161 million) and more, or a net worth of 500 crore INR (\$80 million) and more, or a net profit as low as five crore INR (\$800,000) and more have to spend at least 2% of their average net profit over the previous three years on CSR activities.

On the other side, by considering a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggests that CSR needs to go beyond philanthropy & communities. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

*H<sub>4</sub>: In India corporate social responsibility has faced some significant challenges.*

If we will look over the Indian scenario of corporate social responsibility then we come to know CSR is having the history of struggle (Arevalo & Aravind, 2011). Indian firms face much greater challenges in doing CSR, even before independence in 1947, businesses made significant contributions to schools, hospitals etc. There was no proper standard regarding corporate social responsibility & the weak standards tend to pose following considerable challenges to firms for practicing CSR:

1. Previously there was no governing body to check as to how much amount has been spent on CSR activities. Hence, no regulation, of any sort was available or lined.
2. There was a lack in community participation in the CSR activities as it has been seen that the communities that was going to benefit show less interest whenever the initiative is being taken by any company or organization.
3. The policies which are being formulated and implemented must be evaluated in order to attain the desired result. The organization that has invested on CSR activity must analyze the impact of a particular CSR activity on the society or the targeted section but in India the scenario was different. Companies spend money on CSR activities only for personal gains and publicity. The long term benefits of CSR were not taken into account.
4. Generally corporate sector in India works for CSR only to save the taxes which were being levied by government on them.

## CONCLUSION

Corporate Social Responsibility is not a recent western phenomenon it is certainly not new to India. It has been a part of Indian culture from thousands years ago. Kautilya's work written over 2400 years ago can be best described as a treatise on corporate culture and spirituality, though the word "corporate" was not in vogue at that time. CSR which implies that companies contribute towards the welfare of society has become the buzzword today not only in India, but the world over.

In India in the pre mandate period major setback was that majority of the companies lack in fulfilling the social obligation due to the absence of regulations & policies but now there is a proper law so companies should move forward by following the provisions of law very carefully. Companies can take up various issues & should try to observe the happening of other related problems in the society and work on that under CSR. Ideally, the companies cannot work on CSR alone, so cooperation and contribution from other stakeholders is required. CSR is an emerging activity which is at the developing stage and will grow more in the coming times. Company Act -2103 is a good initiative by the Government of India for various companies to allocate certain budget for this activity. Just like the other countries taken initiatives regarding social responsibility the CSR clause in the Indian legislation is unique for directing the companies. Critics might see it as a 2 percent tax, but that will be the case only if we miss this golden opportunity to set a new model for how businesses can make a real contribution to society's critical problems.

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