

# Corporate Social Responsibility in India – The Past, Present & Future

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**Abstract** - The concept of CSR in India can be found deep ingrained in the idea or concept of 'Trusteeship' propounded by no other than the father of the nation – the legend for all ages, the Mahatma – Mohandas Karamchand Gandhi, and seems more relevant than ever before when the bridge or gap between haves and have-nots is widening at a rapid pace signaling the danger of social unrest the world over. Gandhi's concept of trusteeship invokes an individual's spirit & intellect and thus, works both at the spiritual and intellectual levels where he finds himself an element 'of society', 'by society' and 'for society'. The CSR or Corporate Responsibility (CR) in our country has evolved through the charity & philanthropy to more strategic & sustainable initiatives on the part of business concerns and thus, has travelled the terrain on 'Trusteeship' model of Gandhi to arrive at 'Mandatory' model evolving subsequent to the amendment in Companies Act, 2013.

An effort is made, through this paper, to trace the origin, evolution & development of CSR in India, briefly describe the concept of 'Trusteeship' and its relevance in today's fast changing SET (socio-eco-techno) business environment and outline the possible impact of mandatory provision made vide Section 135 in the Companies Act, 2013 on overall CSR scenario.

The paper adds to the existing literature in terms of conceptual clarity and theoretical framework around the construct of CSR and has the managerial application by providing an insight on its linkage to the past, present and future as 'For Good, By Good, Of Good'.

**Key words:** *Companies Act, 2013, Corporate Social Responsibility (CSR), Mahatma Gandhi, Mandatory Model, Sustainable development Goals (SDGs), Trusteeship Model*

## I. INTRODUCTION

**CSR - Origin, Evolution and Development:** The idea or concept of modern day CSR can well be said to have originated from Hindu theology or philosophy which says that the Supreme Almighty or God is only the rightful 'owner' of everything present on this planet – the mother earth, and we as individuals being mortals have the duty to preserve, protect and develop our resources to be handed over to next generation. For the wealth so inherited & created, we are only the 'Trustee'. This very idea, in writer's opinion, led the 'owner' to disown by way of charity & philanthropy for the common good of society. The 'corporate' is the modern owner and the CSR, their way of contributing to well-being of the same society of which they are an integral part and operate in. And by this very analogy, CSR is not just the responsibility of Corporate alone but of involved i.e. every stakeholders along-with the business - governments, no-profits, individuals (7) and the society itself for the fact that the income earned or profit generated through the utilization of resources from the society and environment must be

ploughed back to sustain the both. The wealth so created should be aimed at enhancement of welfare of the society as the core concern of every kind of entrepreneurship is to "quench the hunger of the mankind" (14) as a whole and thus the inherent objective of every business is only to help people prosper, society survive and environment sustain to meet the objectives of triple bottom-line i.e. profit, people and planet or the economic, social and environmental objectives of the business.

Philanthropy has been the hallmark of Indian society. CSR as a concept in India has also been en-routed traditionally through the philanthropic activities and slowly evolved with the development of the country. It has moved from traditional act of charity & philanthropy to more strategic and inclusive growth oriented activities like women empowerment, education, health & sanitation, rural development, institutional building and sustainable community development (16). CSR in our country, in its modern context, is still at a very growing stage but has deep roots which can be traced to the Mauryan (Kautilya) period when ethics was emphasized as a way of business and has

come a long way from the philanthropy by a few (industrialists during pre-independence period) to the presence of plenty where exist an exemplary combination of voluntary benevolence of the like of Azim Premji, popularly called as philanthropy and mandatory compliance of government's guidelines enumerated in Companies Act 2013. Corporate have come a long way from responsive to sustainable initiative (4), in their efforts to contribute significantly for the improvement of the society and quality of life. For a country like ours with varied social set-up and economic inequalities, it's almost impossible for a single entity to undertake such activities to bring about the desired change for the scale of enormity involved whereas the corporate have the requisite resources – expertise, strategy, men and material beside the finance to facilitate extensive social change. But the march towards the higher growth in the area of social development require sustained efforts and effective partnership between all stakeholders – Corporate, Government, NGOs and the society at large.

The industry and business in India have been closely associated with the social causes, extending helping hand during natural calamities and contributing to the national development by way of CSR or similar initiatives. CSR in India has been seen as a moral and social duty since the ancient time, through which one attains the spiritual fulfillment. Since the beginning of business, accompanied by creation of wealth, issues relating to society and environment have taken deep roots to be uprooted to sustain the very business. India has been the home to highlight and address such issues through the corporate philanthropy for the welfare of industrial workers, their families and the society since 1800s. Philanthropy in India has strong resemblance to western philanthropy for having originated from religious belief (3) and practices. The 1900s saw the business practices taking different forms in its activities related to social responsibilities like philanthropic donations, charity, community services, employee welfare, social development and environmental sustainability.

During 1950s, CSR was essentially considered as an obligation on the part of business towards welfare of society and there was no recording or documentations of activities or the expenditure. Over the years, however, there is an increased awareness and global realization of the need for contribution on the part of business towards social, economic and environmental improvements. And to add to the fervor, there is a sincere server i.e. business has started taking genuine interest in activities leading to sustainable development of society and the protection of environment. The socially responsible behavior of companies are equally recognized by the society as the public favor their growth plan & strategy and prefer their goods & services. The process has given birth to the idea of Corporate Responsibility or the concept called CSR - Corporate Social Responsibility.

**Research Methodology:** The methodology involves exploratory study and descriptive analysis to present a Review-cum-Thought paper. The qualitative literature on constructs have been reviewed and analyzed to underscore its current contextual and future relevance.

## II. LITERATURE REVIEW AND DISCUSSION

### CSR - The Past

**'Trusteeship' Model of CSR:** The principle of trusteeship propounded and discussed by Mohandas Karamchand, 'Mahatma' Gandhi during several decades of 20<sup>th</sup> century was based on his belief that man is the custodian or 'trustee' of the wealth & resources at his disposal and therefore, the amount of self-generated or inherited wealth which is beyond the requirement of individual should be used for welfare or upliftment of poor strata of society. The trusteeship concept of Gandhi is an alternative, if not the new, system of wealth and resource management offering a fine balance between individual initiative and societal commonweal (10). The practical side of the concept provide for the ethics as the basis of business and contributing a fair part of earnings towards the welfare activities of the society which is akin to the present day principle or concept of CSR, making his views not only relevant but also essential in the modern world of industry and corporate as its applicability is accepted across institutions, organisations and individuals. His principle of trusteeship of 20<sup>th</sup> century can well be termed as most HOLISTIC approach to CSR in 21<sup>st</sup> century. Truly, Gandhi was well ahead of his time as his ideas of trusteeship and on economics, environment, industrialization, cottage industries, etc. are not only just relevant but even finds their acceptability and recognitions in the form of conventions & legislations both at national & international levels. Gandhi's perspective is of greater relevance today than ever before (13) as he wanted business to be treated as a trust and all stakeholders as its trustee. Gandhi advocated for integration of all activities with the economic activities and described economics as the way of life related to collective values. In the words of Gandhi, "true economics stands for social justice, it promotes the good of all equally including the weakest and is indispensable for a decent life" (11). The trusteeship model of Gandhi has the potential to realize his dream of EQUALITY as it can help the industry and society including all stakeholders in achieving shared values and therefore, Indian industry or corporate should set their primary paradigms powered by principles of trusteeship espoused, if not propounded, by Mahatma Gandhi. The essence of this principle can be traced to the first verse of the Isopanisad (Shukla Yajur Veda) which states as *Isavasyam-idam-sarvamyat-kimcajagaty-amjagat, tenatyakten-abhunjitha, magridhah-kasyas-viddhanam* (there is one God, present here and everywhere) – the first mantra of Isavasya Upanishad which says: "all this is enveloped by the Supreme Being"

underlining the fact that everything in this world has Supreme residing in them who is the rightful owner whereas we, as individuals who actually possess, can at best enjoy the “delegated ownership” and must act as trustee for this possession to be handed over to the next generation whom we owe our perpetuity. In Gandhi’s trusteeship model, enterprise is not discouraged rather encouraged to earn. It allows the entrepreneur to generate the surplus and encourage spending it for the welfare of the underprivileged strata of society. The philosophy of Trusteeship believes in inherent goodness of human beings (5).

### III. CSR - THE PRESENT

#### ‘Mandatory’ Model of CSR: Companies Act 2013 – A Paradigm Shift

From seer an act of philanthropy and charity to Mahatma’s trusteeship model (13) to the modern mandatory model, the idea of CSR has undergone a total transformation in India. From being an act of volunteerism to being mandated, CSR has travelled a long distance. It’s no more a choice but the compulsion to contribute, at least for companies with specified profits or turnover as per the provisions of Companies Act, 2013. This period of change or transition from voluntary to mandatory has however witnessed both - the sense of apprehension on one hand and the opportunity for companies to involve themselves by way of contributing to the task of social development on the other.

Before the amendment in Companies Act, companies were undertaking various projects or initiatives and incurring expenditure in their own way (8). Funds were allotted or spent as per their will and even the reporting of such expenditures was done differently but no more. Effective April, 2014, companies are required to follow and adhere to the rules & procedures specified in the Companies Act, 2013. Global norms are made mandatory for the management of the corporate sector by introducing the concepts such as self-regulation providing adequate disclosures and accountability, guidelines on increased shareholders’ participation and forum for approval of Mergers and Acquisitions (M&A). Now, it brings the management of the corporate sector in line with global norms.

The amended Act mandates companies to "ensure" spending of minimum two per cent (2%) of their net profit towards CSR activities. This decision of the then Government, didn’t only drew the criticism but also earned appreciation from the stakeholders for it holds ‘the promises to change the way CSR has been perceived so far’. The then Corporate Affairs Minister Sachin Pilot declared that for companies, ‘CSR would be mandatory like tax liabilities’. "Severity of law is not deterrent, it is surety which is deterrent," he said. Speaking at the ‘National Summit on CSR’ Mr. Sachin Pilot said the companies would be at liberty to choose the CSR activities, programs

& strategies according to their company’s vision or philosophy and business preferences within the stipulated yet exhaustive framework in the Act. With this amendment, Companies Act offers an excellent framework and point of departure for CSR and ‘is a good initiative on the part of the government’.

The shape and scale of CSR in India has witnessed a dramatic change i.e. there is a paradigm shift in both action and perception across type & size of industry. No longer a company can just sponsor a blood donation or an eye camp or donate cash for a sport event or semi-serviceable desktops and term it as CSR activity. The amended Companies Act requires companies to devise long-term plans for CSR initiatives and thus, companies are realizing the need for such a plan instead of short-term, non-effective, good for none plans or activities. It has been five years now since the amendment mandating financial spent of 2% of profits for all companies above the defined level came into force. This period has seen the sharp surge in expenditure by companies on CSR which certainly suggest the affirmative acceptance of idea. The industry has realized its potential. The corporate no longer consider it as their obligation towards the society but a value proposition to build the brand equity – the brand value and awareness (15). The CSR mandate has led the corporate to adopt either of the two approaches i.e. either to have an independent wing with one of its board member as head to plan, control & monitor CSR activities of the company or to enter into a partnership with an NGO – not-for-profit organisation to implement their CSR action plans. The expenditures on CSR as revealed from the balance-sheets of numerous companies both, public and private across all scales – large, medium & small, strongly suggest the existence of ‘positive correlation between sales and CSR investment’ (12).

### IV. CSR - THE FUTURE

**The Changing Horizon:** The Corporate Social Responsibility frontiers attain the new height by reaching the Himalayas. Corporate seeks social salvation through their CSR initiatives. The world over, “oil companies are known to prefer baking the earth for profit” (2) but in India, Prime Minister Modi’s ‘Swachh Bharat Abhiyaan’ (Clean India Campaign) is leading them to climb the Himalayas to launch expeditions to ensure cleaning of water sources, providing public conveniences and medical facilities for tourists. The innovative underground cellars for vegetables are being created to ensure longer self-life for local produce and procured from outside. Govt. owned oil companies have undertaken to preserve the pristine Himalayan nature and improve community’s standard of living. And the competition is getting intense among the big players to get higher than the other. IOCL - the refiner-marketer, is building basic amenities like toilets in Leh and setting up a specialized medical facility atop Khardung La -- the world’s highest motor-able pass at the level of 5,359 meters

whereas ONGC—the explorer, dispatched a team of young executives to Mt. Everest for bringing back the garbage lying on the way and at various mountaineering camps for safe disposal through its expedition named 'The Everest' in collaboration with the IMF (Indian Mountaineering Foundation) and thus, takes 'adventure' into the ambit of possible CSR initiatives.

The above cited examples are just to highlight to limitless opportunities for Indian corporate to capitalize upon in the field of CSR to make a difference in life of people living in unreached areas of the country beside lending the helping hand to the vulnerable and above all, to save & protect the planet or environment making it worthy of habitat for all living species including the flora & fauna.

**The Way Forward: Sustainable Development Goals (SDGs)** –'Sustainability' and 'Sustainable Development' are the words to be watched or the key concepts to draw all attention and action. Sustainable Development Goals (SDGs), formulated by the UN in 2015, are going to be goal post. The SDGs, also called as the Global Goals, are the universal call to eradicate poverty, end hunger (1), protect environment or planet and ensure peace and prosperity for the human race. All initiatives of corporate under CSR shall have to be aimed at and aligned with SDGs to be part of solution. Investors have to insist for the initiatives aimed at increased value to shareholders through innovative solutions for problems both at local and global levels. This will help not only the community but also the corporate as the sustainable business strategy formulated to address the community concerns leads to value creation for the corporate brand. By such a strategy, corporate encourage their employees to actively participate in CSR practices. This way, every employee develops a strong sense of mission and be part of platform created to solve the problems faced by the community of which they are an integral part. Many companies are encouraging employees to join their Foundations – the philanthropic arm, or participate in CSR initiatives being implemented by the partnering organisation or an NGO. Corporate, the world over, are convinced beyond doubt that they have the stake in society (9) and vice-versa. This realization has led them to address the social and environmental issues as they can no longer remain unaffected to continue their business. The call of the day is to devise strategic CSR policies aimed at Triple Bottom Line – the planet, people and profit, which would lead to sustained economic, social and environmental growth (6) Industry in India has also realized their responsibility towards society and environment and are now getting increasingly engaged in various such activities. CSR and sustainability initiatives hold the promise of changing the developmental scene of the country and have the potential to create a parallel path rather a highway for sustainable development for the

enormity of size & scale involved. For the corporate concerns for society and all other stakeholders, it can well be concluded that the society's fate, to a greater extent, depends upon them. CSR strategy needs to be aligned to the business objectives of the corporate to make it effective and efficient. Over the years, CSR in India has moved from being mere responsive rather reactive activities to the initiatives aimed at sustainable development to make a mark on quality of life and living standards for society's overall development. As the scale involved is enormous, changing the social set-up in India is beyond the capability of a single entity, be it the government, corporate or the non-profit organisations. And thus, the need to co-operate & collaborate to mobilize the resources at one's disposal and synergize the energy for an effective partnership leading to the creation of an efficient framework for sustainable development. Such a system has the potential for exponential growth in the social sector and to make the environment or planet worth living. However, the benchmark for 'sustainability' and 'sustainable development' remains as 'Contain-to-Sustain' i.e. we must learn to contain or limit our needs rather greed in order to sustain our resources and the planetary system as such.

## V. FINDINGS AND SUGGESTIONS

The corporate sector is directly linked to social sector through CSR which has gained relevance for the increasing imbalance between the haves and have-nots. In its simplest form, CSR or Corporate Social Responsibility can be described as the responsibility of corporate sector towards the society within which it operate and earn profit by way of sale of its produce – goods or services, through various activities for the welfare and improvement in the quality of life. A large number of business houses accord high priority to the welfare activities for their employees, families and the community. The spheres of such activities ranges from providing basic amenities like safe drinking water, clean or hygienic & safe work environment, primary health & education facilities, adequate salary for employees to the strategic development of human and environment friendly technologies to create sustainable living & livelihood infrastructure.

The concept of CSR has a long and cherished history in India where it can be said to have originated long before it came to be known and practiced in the present form by the western world. From the act of philanthropy & charity in the past to the strategic business integration for sustainable development in the present, CSR has come a long way, having gone through different phases, in the country. The current phase, post Companies Act, 2013, can well be termed as Mandatory Phase (as per the scholar). The future of CSR shall however, not only in India but also the world over, depend upon the acceptance of the basic premise of thought process of treating every human being at par and working towards bridging the gap between haves and have-

nots. The Indian civilization, history, culture and values come handy to the Corporate – not only Indian business houses but also all MNCs operating in the country.

CSR is becoming the way of life for corporate having integrated it into its business strategy. Corporate's contribution is complementing the efforts of Government and others in socio-economic development of the country. The future of corporate and society on every part of this planet depends upon 'sustainable' thoughts and actions of all involved i.e. all stakeholders are equally responsible for the common cause of 'sustainable development' amply exemplified in the Sustainable Development Goals prescribed by the UN.

## VI. CONCLUSION

The amendment to effect 2% contribution towards CSR by specified companies came into force from April 2014. CSR, with the inclusion of the mandatory provisions under Section 135 of Companies Act, 2013 came to the forefront – at the apex level of Board room from the low profile and un-named backroom, which require professional intervention. During last five years, CSR has come to occupy the position of permanence. It no longer is a voluntary act but mandatory, albeit for defined categories of corporate. Nevertheless, the ripple effect caused by the inflow of funds for CSR has the potential of financial flood and thus, require channeling into proper tributaries for an even effect across social spectrum covering the complete territorial spread by reaching the un-reached and to avoid the destruction of social shores caused by the concentration and multiple overlapping of 'CSR' activities for 'community development' in the adjoining areas of industry.

The corporate have the ability and capability to make the difference to the society by improving its quality of life. The social issues can and must be addressed by all concerned. Corporate must make its contribution count by providing long-lasting or sustainable solution to varied social problems like hunger, health, sanitation, education, etc. They can facilitate this by fostering the partnership with government agencies and not-for-profit organisation or NGOs and philanthropic Foundations.

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