

# Evolution of CSR in India

"In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence"

- Jamsetji Nusserwanji Tata (Founder of Tata Group)



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Starting from the times of barter system to today's modern era, the mankind has trodden a remarkably long path. The business houses started realizing that they would have to rise over and above the profitability and take care of all those associated with their survival in the society directly or indirectly. This realization resulted into the concept of CSR.

In the pre-industrialization period wealthy merchants shared a part of their wealth for setting up temples and other places of worship, getting over phases of famine and epidemics thus securing an integral position in the society. With the arrival of colonial rule in India from 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. TATA Steel introduced 8 hours work culture in 1912 when the workers in the rest of the world were working 10–12 hours a day. Tatas also introduced Provident Fund, Leave with Pay, Maternity Leave, Free Medical aid much before they became laws.

During the independence movement, 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. 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 business houses 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.

With the emergence of Public Sector Undertakings in 1960s and laws relating labour and environmental standards, the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. 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 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.

In 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 and able to contribute towards social cause.

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, Indian Oil Corporation and Jaypee Group to name a few, have been involved in serving the community. 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. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and increasing business competitiveness.

Companies have specialized 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. 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 and Maruti Suzuki India 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 Corporates like Jaypee Grup focus on Education, Community Development and Healthcare. A Comprehensive Rural Development Program initiated in 1993 in 28 villages surrounding the cement plant, at Madhya Pradesh is now expanding its reach to cover a large number of villages across various States in India. To spread Education amongst the economically challenged segment of society, the Group runs a chain of schools and colleges in different states. Women empowerment receives impetus through various skill oriented programmes which help to earn their livelihood. In the area of Healthcare the Group has set up 10 hospitals and 24 dispensaries at various project sites organizes regular health camps in villages.

Sustaining an equitable balance between economic growth and environment preservation has been of paramount importance for the Group. Its environment management approach has led to efficient and optimum utilization of available resources, minimization of waste and adoption of the latest technology.

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

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.

While the concept of CSR is centuries old in India, there has been little legislation to enforce this responsibility. Of late, there had been a debate whether the voluntary act of CSR should be regulated through a legislation or not. While one school of thought feels that no one should be forced to do charity / discharge its social responsibility,

the other school feels it necessary in view of much lesser number of people / business houses coming forward with needed helping hand for the 'have-nots' of the Society.

While the arguments of both sides might have their own merits, the legislature has in its own wisdom thought fit to enforce the concept by incorporating the provisions relating to CSR in the Companies Bill, 2012 which has already been passed by the Lok Sabha and is waiting for the approval of the Upper House.

To begin with, it is intended to cover only the corporates having net worth of more than Rs.500 Crores or turnover of more than Rs.1000 Crores or net profits of more than Rs.5 Crores. The companies fulfilling any of the said criteria are required to spend in every financial year at least 2% of their average net profit for the last three years. The failure to do so requires the companies to specify the reasons for not spending such amounts in their Directors' Report. The Government has also attempted to identify the following areas of CSR activities which would qualify for such spending :-

- (i) Eradicate extreme hunger and poverty;
- (ii) Promote education; gender equality and empowerment of women;
- (iii) Reduce child mortality & improve maternal health;
- (iv) Combat, AIDS, malaria & other diseases;
- (v) Ensure Environmental sustainability;
- (vi) Provide employment enhancing vocational skills;
- (vii) Contribute to PM National Relief Fund or other fund set up by Government for socio-economic development relief and welfare of downtrodden, minorities and women;

With the said provisions expected soon to find place in the statute, the CSR in India will enter in a new era, though selectively, from the era of voluntary donations / charity towards society to the era of enforcement thereof through legislation. For the present, this is being done only in respect of corporate citizens and that too only those crossing the threshold limits. Neither the individuals nor any other form of business, proprietary or partnership etc. have been covered.

It will be seen only over a period of time whether this attempt of the Government to make corporate to discharge their social responsibility through legislation would achieve the desired results or not.

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