

THE INTERPLAY OF SOCIETY AND BUSINESS: EXAMINING THE EVOLUTION AND EFFECTIVENESS OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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ABSTRACT

This article explores the evolution and effectiveness of corporate social responsibility (CSR) activities in India. It highlights the intertwined relationship between society and business, emphasizing the importance of businesses being accountable and responsible to the society in which they operate. The article discusses the broad definition of CSR in the Indian context, which transcends mere profit-seeking and encompasses ethical values and the impact of business operations on people and the planet. It explores the evolution of CSR through four distinct phases in India, from philanthropy-based approaches to the incorporation of CSR into the corporate framework. The article also showcases notable CSR initiatives by companies like Tata Group, Infosys, and Maruti Suzuki. However, it acknowledges the challenges faced by CSR activities, such as changing statutory provisions, lack of reliable information, and public reluctance. To overcome these challenges and maximize the potential of CSR, the article suggests raising awareness, improving data tracking and reporting, establishing industry alliances, and extending interventions to rural areas. Overall, CSR in India plays a pivotal role in enhancing a company's impact on society while yielding benefits like brand image enhancement and increased customer loyalty.

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INTRODUCTION

Anita Roddick, one of the leading British businesswomen, once stated, "*The business should not just be about money; it should be about responsibility. It should be about public good, not private greed.*" I wholeheartedly concur with Roddick's perspective as in my opinion that every business operates within a social environment, and as responsible entrepreneurs and leaders, it is incumbent upon us to be accountable to the community in which we function.

In my view, society and business share an intertwined relationship, relying on mutual support to thrive. The development of society is closely tied to how businesses function within the environment, just as the growth of businesses depends on the stability of the community in

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which they function. To fulfill their social responsibilities, corporations need to understand their duties and redefine their roles. This is where the concept of CSR comes into play, which has gained considerable familiarity in the business world today.

CSR does not have a fixed definition, and its understanding has always been subject to variation. In 1979, Carroll defined CSR as Companies willingly incorporating social, environmental, and health considerations into their business practices, considering the expectations of stakeholders. These expectations encompass economic, legal, and discretionary aspects that society demands from businesses¹. However, I believe that companies in India have given a wide definition to this concept. For them, CSR entails maximizing their financial standing while preserving the social and environmental elements and actively endorsing causes concerning children, women, and the environment². There is no widely embraced definition for CSR. In simpler terms, it entails transparently conducting business, guided by ethical values. It goes beyond mere profit-making and entails taking responsibility for the impact of business operations on both people and the planet.

There has been a significant evolution in the way CSR activities are conducted in India, with notable initiatives undertaken by corporate giants like the Tata Group and Infosys. Today, CSR is no longer merely characterized by donations or charity; it has become more structured and an imperative part of corporate strategies³. Through this essay, I aim to discuss the evolution of CSR in India and evaluate the effectiveness of CSR activities in the country.

EVOLUTION OF CSR IN INDIA

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In India, CSR activities are covered under the Indian Companies Act of 2013, which substituted the Companies Act of 1956. One notable feature of the Act was the imposition of mandatory regulations on CSR activities for Indian and foreign corporates operating in India⁴. This compulsory obligation aimed to address societal issues, as companies were previously allowed to make charitable contributions within certain limits. The Act essentially

¹ Archie B Carroll, 'Three-dimensional conceptual model of corporate performance', (1979) 4(4) *Academy of Management Review* <file:///C:/Users/HP/Downloads/A_Three-Dimensional_Conceptual_Model_of_Social_Per.pdf> accessed 24 June 2023.

² Nilesh R. Berad, 'Corporate Social Responsibility – Issues and Challenges in India' (*International Conference on Technology and Business Management blog*, March 28, 2011) <<https://ijcrt.org/papers/IJCRT1705058.pdf>> accessed 25 June 2023.

³ Tatjana Chahoud, 'Corporate Social and Environmental Responsibility in India - Assessing the UN Global Compact's Role' (*German Development Institute Journal*, February 2007) <https://www.idos-research.de/uploads/media/Studies_26.pdf> accessed 24 June 2023.

⁴ Ramesh.R, 'Evolution of corporate social responsibility in India (2020) 8(1) *International Journal of creative research thought* <<https://www.ijcrt.org/papers/IJCRT2001011.pdf>> accessed 25 June 2023.

served as a self-administered tax, imposing conditions on companies such as having a net worth of at least 5 billion rupees or a turnover of at least 10 billion rupees. Moreover, companies were required to contribute at least 2 percent of their average net profit from the last three years to CSR activities. Additionally, the Act stipulated other obligations, including the establishment of a CSR committee⁵. Traditionally in India, these activities were primarily considered philanthropic, performed without much deliberation considering the Indian context. These rules came into effect on April 1, 2014⁶, but the evolution of CSR activities in India can be categorized into four phases.

Phase One: In the initial phase, philanthropy had a crucial contribution to driving CSR activities. Influenced by Vedic philosophy, which emphasized using money as an instrument to serve society's needs, business owners and merchants donated their wealth for the welfare of others⁷. They constructed temples, schools, and hospitals, and supported societal well-being, deriving personal satisfaction from their actions. Later, British influence brought about a wave of Westernization, with prominent business families like Tata, Godrej, and Birla actively engaged in philanthropic activities⁸. Their involvement was driven by both vested commercial interests and the desire to promote the country's commercial and social progress.

Phase Two: The second phase was influenced by Gandhian principles of trusteeship, which advocated treating all industrialists as trustees of the assets entrusted to them. According to this theory, industrialists were expected to conduct themselves with a sense of social accountability, utilizing a portion of their profits for their sustenance while using the remaining portion to uplift society⁹. Gandhi's influence pressured various merchants and industrialists to actively contribute to India's socio-economic development. During this time, many Indian companies established trusts for schools and colleges supported training programs, and provided scientific solutions. all in line with Gandhian ideologies focused on eradicating untouchability, empowering women, and fostering rural development.

Phase Three: This period witnessed the implementation of a "mixed economy" in India, where elements of capitalism and socialism coexisted. The mixed economy emerged as a viable

Proposing resolution to tackle the economic and social difficulties encountered by the

⁵ The Companies act 2013, s7.

⁶ Ibid.

⁷ SawatiNagwan,' Evolution of Corporate Social Responsibility in India' (2014) 3(7) International Journal of Latest Technology in Engineering, Management & Applied Science
<<https://www.ijltemas.in/DigitalLibrary/Vol.3Issue7/164-167.pdf>> accessed 24June 2023.

⁸ ibid.

⁹ Ibid.

nation following its independence, given the prevalence of poverty among the majority of the population¹⁰. During this time, the private sector took a backseat, and the public sector assumed a prime role in catering to the country's economic and social needs. Stringent regulations were imposed on the private sector, leading to this period being described as the "era of command and control."¹¹ However, the public sector's effectiveness was limited, and it was unable to fully address the country's social needs. As a result, expectations shifted to the private sector, making their contribution to the socio-economic dimension crucial. During this phase Indian academics and industrialists organized a national workshop on CSR, highlighting the need for corporations to act as respectable corporate citizens and promote regular stakeholder dialogues, social responsibility, and accountability. Despite notable progress, CSR did not gain significant momentum during this phase.¹²

Phase Four: During this phase, India experienced an economic boom driven by the wave of globalization, resulting in a growth rate exceeding eight percent. This shift from a philanthropy-based CSR model to a more liberal approach coincided with rapid economic growth¹³. The increased profitability of corporations did not yield a decrease in philanthropic activities¹⁴. on the other hand, it enhanced corporate willingness to contribute more to social welfare activities. Indian companies, therefore, began moving away from traditional philanthropic activities and brought CSR into their overall business strategies, adopting a multi-stakeholder approach to sustainability.¹⁵

CSR ACTIVITIES IN INDIA

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The primary objective of CSR activities is to enhance the effect of a company on society and its stakeholders through the integration of policies and practices into their business operations and processes. Companies typically have dedicated departments or teams responsible for formulating policies for their CSR programs. These programs encompass a wide range of initiatives, including community development, education, environment, and healthcare¹⁶. While some companies may view CSR as an overhead cost, it is crucial for protecting the

¹⁰ cf(n 3).

¹¹ *ibid.*

¹² *ibid.*

¹³ *ibid.*

¹⁴ cf (n 8).

¹⁵ *ibid.*

¹⁶ cf(n 5).

company's brand name, reputation, and business competitiveness. For instance, companies like TCS, Maruti Suzuki, and Infosys adopt comprehensive development approaches¹⁷.

Tata Consultancy Services (TCS), one of India's largest software companies, has been recognized with numerous awards for its community development efforts and the implementation of various programs focusing on education and healthcare. TCS emphasizes providing literacy to adults and children through specially designed computer programs like coding. The company has also made significant contributions to the healthcare sector by supporting children's hospitals in major cities and providing underprivileged individuals with the necessary medical care and financial assistance.

Maruti Suzuki is widely regarded as one of the most responsible corporate citizens due to its high standards and protocols for corporate governance. The company takes proactive measures to address global warming issues, such as climate change, by investing in environmental products that promote the safeguarding and protection of nature and its resources of the natural environment. Maruti Suzuki strongly advocates reducing, reusing, and recycling in all its manufacturing units. Additionally, the company has introduced a road safety program to prevent accidents, ensuring the well-being of society¹⁸.

Infosys, another leading software company, has implemented various special programs aimed at empowering underprivileged children. These programs focus on teaching fundamental skills and providing a fresh outlook on society. The company also embraces the concept of reengineering and aligning its operations with green goals. In this regard, Infosys ensures that the operation of its products and services is conducted in a manner that minimizes the harmful impact on the environment¹⁹.

Some other initiatives undertaken by large corporations and multinational companies include Reliance Industries' "Project Dhrithi," which aims to restore vision for visually impaired individuals from economically weaker sections or lower strata of society. IBM, in collaboration with the tribal development department of Gujarat, focuses on rehabilitating

¹⁷ Ibid.

¹⁸ Rajeev Kashyap, 'Corporate Environmentalism: Antecedents and Influence of Industry Type' (2003) 67 (2) Journal of Marketing <<https://doi.org/10.1509/jmkg.67.2.106.18604>> accessed 25 June 2023.

¹⁹ Anupam Sharma, 'Corporate Social Responsibility Initiatives of Major Companies of India with Focus on Health, Education and Environment (2012) 4(3) African Journal of Basic & Applied Sciences <[https://idosi.org/ajbas/ajbas4\(3\)12/6.pdf](https://idosi.org/ajbas/ajbas4(3)12/6.pdf)> accessed 24 June 2023.

and improving the living conditions of tribals in the Sasan area of Gir Forest²⁰. While there are many more initiatives carried out by various corporations, the effectiveness and implementation of these programs still face numerous challenges, hindering the achievement of their CSR objectives.

CHALLENGES FOR CSR ACTIVITIES

One of the difficulties confronted by companies in implementing CSR is the frequent changes in statutory provisions through primary and secondary delegated legislation. Since 2013, there have been approximately 10 amendments to the rules governing CSR activities, along with multiple clarifications and notifications that influence the application of the law²¹. For instance, the inclusion of disaster relief as part of CSR rules came in 2019, specifically during the COVID-19 pandemic when the government issued two circulars categorizing COVID-19 as a natural disaster²². This demonstrates how arbitrary political decisions can override common sense. Furthermore, companies often interpret CSR laws liberally based on their agendas, taking advantage of the numerous circulars and clarifications released by the government.

An example of this is the Statue of Unity project, where five major public sector undertakings (PSUs) contributed funds to cover a shortfall of 780 crores. The PSUs rationalized their decision by citing the protection of natural heritage as mentioned in the rules. However, this contribution did not qualify as a CSR activity, and the PSUs justified their actions by relying on a liberal interpretation of the rules²³. Another critical challenge is the absence of reliable information regarding the CSR activities of companies. Although data is disclosed to the Ministry of Corporate Affairs (MCA), it is often non-existent or contradictory²⁴, making it difficult to track and verify whether funds shown in company accounts have been used for CSR activities. Transparency and accountability are lacking in this regard.

Furthermore, there is a general reluctance among the public to participate in and contribute to CSR activities. Many companies mistakenly believe that they are already socially

²⁰ Nitin Kumar, 'Corporate social responsibility: an analysis of impact and challenges in India (2019) 3 (2) Journal of Social Sciences Management and Entrepreneurship <<file:///C:/Users/HP/Downloads/50-156-1-PB.pdf>> accessed 24 June 2023.

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ 'Report of the High-Level Committee on Corporate Social Responsibility 2018' (MCA, August 2019) https://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf accessed 27 June 2023.

responsible, amplifying the misconception²⁵. This situation is worsened by the lack of coordination and communication between companies and the public. Despite the challenges, engaging in CSR activities brings significant benefits to companies, this encompasses benefits such as improved brand reputation, higher sales figures, customer loyalty, and decreased regulatory supervision²⁶. It is crucial to take appropriate actions to overcome these challenges and maximize the potential of CSR.

WAY FORWARD

To shape the future of CSR in India and adopt measures to make it an integral part of mainstream corporate practices, proactive measures, and time-bound actions are essential. Firstly, there is a crucial need to raise awareness among stakeholders about CSR activities. Media outlets can play a pivotal role in highlighting the social initiatives undertaken by corporate houses, thereby shifting public perception towards CSR activities²⁷. By showcasing CSR efforts in the media, more corporate entities can be encouraged to join forces in addressing a prevailing social issue.

Secondly, improved data tracking, reporting, and outcome-based planning are imperative. Access to reliable and validated data facilitates more informed and flexible decision-making, expediting overall growth²⁸. Collaboration and resource pooling between corporate houses and non-governmental organizations should also be considered for more effective implementation of CSR practices and reaching a broader range of stakeholders in society²⁹.

Furthermore, it has been observed that companies often duplicate each other's CSR initiatives, resulting in market competitiveness and redundant efforts. Given the diverse issues prevalent in CSR activities, it is suggested that companies engaged in CSR activities establish a national alliance. Such an alliance would represent various industry interests, drive broad development agendas, and deliver the best services to underprivileged and marginalized populations³⁰.

²⁵cf(n 23).

²⁶Ibid.

²⁷cf(n 2).

²⁸'Unlocking the power of CSR: Impactful initiatives and future outlook' (The Hindustan Times, April 11, 2023) <<https://www.hindustantimes.com/india-news/unlocking-the-power-of-csr-impactful-initiatives-and-future-outlook-101681226328588.html>> accessed 27 June 2023.

²⁹Anupam Singh, ' From Philanthropy to Mandatory CSR: A Journey towards Mandatory Corporate Social Responsibility in India' (2014) 6(14) European Journal of Business and Management <[https://www.ijbmi.org/papers/Vol\(3\)8/H038072078.pdf](https://www.ijbmi.org/papers/Vol(3)8/H038072078.pdf)> accessed 27 June 2023.

³⁰ ibid.

It has been observed that CSR activities primarily focus on urban areas, resulting in limited reach to those in need in rural areas. Therefore, it is suggested that companies proactively consider extending their interventions to rural areas³¹. These efforts can contribute to improving the CSR landscape in India beyond its current state.

According to the India Philanthropy Report 2023 by Dasra and Bain & Co., CSR has experienced a significant growth rate of 15% annually over the past seven years. This growth can be attributed to the 2% mandate, which has led to an increase in the share of total private giving from approximately 12% in fiscal year (FY) 2015 to 23% in FY 2021³². This sustained growth in philanthropic spending is a positive trend indicative of the importance and effect of CSR in India.

CONCLUSION

CSR has become an increasingly imperative activity for corporates, both domestically and globally as globalization continues to accelerate. Corporations have recognized the numerous benefits of implementing CSR programs, and they have realized that it is not just a moral obligation but also a strategic advantage. Businesses are more aware than ever of the impact they have on society and the environment. They understand that their long-term success depends on the well-being of the communities they operate in and the sustainability of the planet. CSR allows companies to address social concerns while simultaneously strengthening their standing and cultivating trust among stakeholders and gaining a competitive edge.

As globalization expands markets and exposes businesses to diverse cultures and perspectives, companies have come to understand the significance of CSR in maintaining positive relationships with local communities, customers, employees, and other stakeholders. By investing in CSR programs, businesses can foster goodwill, strengthen brand image, and improve customer loyalty. In the present day, consumers are becoming more aware of ethical practices and are inclined to favor companies that exhibit social responsibility.

Furthermore, the international business landscape has witnessed a growing emphasis on responsible business practices. Multinational corporations are expected to adhere to CSR principles not just within their domestic borders, but also in the nations where they conduct their operations. This recognition of CSR as a global standard has further incentivized

³¹ cf(n 2).

³² cf (n 31).

businesses to integrate CSR into their core operations, ensuring compliance with international guidelines and promoting sustainable development on a global scale.

In conclusion, as the world becomes more interconnected, the significance of CSR for businesses cannot be emphasized enough. It is a strategic imperative that goes beyond philanthropy or compliance with regulations. CSR enables businesses to contribute to society, address environmental challenges, and foster sustainable development while reaping the benefits of enhanced reputation, increased customer loyalty, and long-term business success. Embracing CSR is not only the responsible thing to do but also an opportunity for businesses to create a positive impact and thrive in an ever-evolving global marketplace.

