

Emerging Trends In Corporate Social Responsibility: Perspectives And Experiences From Post-Liberalized India

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Introduction

Corporate Social Responsibility (CSR), can be described as, the continuous commitment by corporations towards the economic and social development of communities in which they operate. The concept of corporate social responsibility of large industrial groups has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India. Gandhi described large business as ‘trusts’ of the ‘wealth of the people’ and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. In the early days of the post- independence period, the Indian state under the heavy influence of Nehruvian socialism encouraged private industries to play an active role in the economic and social development of the backward sections of the society, while at the same time setup a mammoth public sector for serving larger societal interests. As Nehru’s gentle socialism gave way to the more radical policies of nationalization and extensive state regulation of the Indira Gandhi era, industrial groups desperate to avoid the draconian state policies and regulations in economic affairs resorted to large scale corporate welfare programs to demonstrate that private wealth also played a important role in poverty alleviation and the socio-economic development of the nation and was not anti-people.

An impending crisis in Indian economy led the Rajiv Gandhi and Narashima Rao governments to dismantle the ‘license raj’¹ and introduce much-needed economic reforms in the country, which marked the beginning of the economic liberalization and the free market economy in India. The major impact of these economic reforms has been the increased presence of transnational corporations in the country and transformation of Indian businesses into large global enterprises. In this scenario, there is an increased

focus on the social role of these private enterprises by both the proponents and opponents of liberalization in India.

In this paper we analyze the fundamental changes in paradigm of corporate social responsibility and the new innovative practices being applied for its implementation in the last decade in India, in the context of the liberalization of the Indian economy. Our central argument in the paper is that the rise of private enterprise in the free market setup has radically transformed the perception and understanding that corporations have of their large role in society and consequently, there has been a revolution in implementation of corporate social responsibility programs at the ground level.

From Philanthropy To Stake Holder Participation: The New Paradigm Of Corporate Social Responsibility

The conceptualization of corporate social responsibility up till the 1990's was purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. Many industrial groups like the Tatas or Birlas setup charitable trusts that provided financial grants for various worthy causes. Although there were some cases where the corporation took up a more active role like the establishment of the Birla Institute of Technology, Pillani by the Birlas or setting up of primary schools by several major industrial groups for their workers 's children but even in these cases the approach was philanthropic. The problem with this philanthropy –based model has several problems

- The corporation does not commit its resources fully behind such a project and often confines itself to one-time or periodical financial grants.
- Since it's an act of charity, the corporation does not feel the need for community participation in the designing or management of such initiatives and people participation, if any, is restricted to limited implementation aspects reducing the efficiency and effectiveness of corporate social responsibility measures at the ground level.
- The lack of involvement from the primary resource provider i.e. the corporation leads to low levels of accountability and transparency at the implementation level.

However the post-liberalization phase has seen a fundamental shift from this philanthropy-based model of corporate social responsibility to a *stakeholder-participation* based model. . The change is evident in the statements about corporate social responsibility being made by India's leading industrial groups like the Tatas, "*over the years, the nature of the company's involvement with the community has undergone a change. It has moved away from charity and dependence to empowerment and partnership*"ⁱⁱⁱ and the consistent transformation in their corporate social responsibility practices in the last decade. In the stakeholder model the community in which the corporation is present in is seen as a stakeholder in the company and therefore, the company has certain obligation and duties towards it like it has towards its other stakeholders (customers, employees, shareholders). It is a recognition of the fact that companies perform in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues and company should be held accountable for its 'triple bottomline' that includes social, environmental, and financial performance and not just the financial aspect. ⁱⁱⁱ

The question that arises at this juncture is what are the reasons for this shift in the basic paradigm in corporate social responsibility in the post-liberalization era. John Samuel and Anil Sari have argued that this transformation has been the result of three reasons^{iv}:

- Recognition of the importance of 'reputation capital' for capturing and sustaining markets. Therefore corporate social responsibility is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence.
- The growing importance attached to the 'eco-social' stability i.e. social and environmental stability and sustainability is necessary for the survival of a free-market economy in the long run.

- The importance being attached to accountability, transparency and social and environmental investment as the key aspects of corporate governance in the era of globalization.

Others like S. Sailaja have attributed the shift in conceptualization to a simpler ‘benefit’ argument that basically implies that the stakeholder model has been adapted as it makes CSR programs more effective and efficient, the need for which is recognized by corporation who see multiple benefits like increased sales and customer loyalty, enhanced brand value and reputation, increased ability to attract and retain quality employees, investors & business partners, better productivity of workforce, cooperation with local communities, efficient operations resulting in improved financial performance, increased stock value, reduced litigation & environmental costs, better and faster governmental approvals, rewards, tax benefits that come from good CSR practices.^v

While both these arguments are pertinent, we would venture to supplement them by drawing attention to two other important reasons for the basic shift in the corporate social responsibility model. Firstly, the post-liberalization phase saw the increased presence of large transnational corporations like IBM in India which have highly developed corporate social responsibility initiatives based on the stakeholder participation model that were introduced in India by them. The success and effectiveness of these programs had a ‘rub-off’ effect on Indian enterprises, which were also operating in the same market, in their approach to corporate social responsibility initiatives. Secondly as Indian industry started competing in the developed markets of Europe, America and the Far East it had to comply with entry level norms like certification for responsible corporate practices like ISO 14000, SA 8000, AA 100 as well as compliance codes formulated by OECD and UN Global Compact which meant that they had to adapt new corporate social responsibility standards.

Whatever be the reason, this change in the conceptualization of corporate social responsibility to stakeholder participation model has led to drastic change in the planning, management and implementation of corporate social responsibility initiatives as we illustrate in our new section.

The New Innovations In Implementing Corporate Social Responsibility: The Revolution At The Grass Roots Levels

With the shifting of the corporate social responsibility paradigm to a stakeholder centric approach, practices at the ground level have also undergone a radical transformation. In every aspect of corporate social responsibility measures the last decade has seen corporations innovating to increase efficiency, effectiveness and accountability. The focus has been on initiatives that are people-centric with active community participation at all levels. Further, the corporations themselves have moved away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a *real* difference in the target communities.

The first perceptible change has been the introduction of a host of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management that are customized to meet the specific needs of the target group and corporations devote not only financial resources but expertise, manpower, products and services for the successful implementation of these schemes:

- Lupin India Ltd, India's third largest manufacturer of pharmaceuticals has started a project for providing sustainable development in 154 villages across Rajasthan. The scheme instead of providing for piece-meal assistance that does not lead to effective alleviation of poverty or adequate development is designed as a holistic action plan that includes an Agricultural Income Generation Scheme, land cultivation and fruit plantation programs, fodder preservation schemes, sericulture and water-recycling programs, establishment of medical and educational centers, adult literacy programs and credit schemes.
- Cipla, another Indian pharma major has found a novel approach to fulfill its corporate social responsibility obligations by offering to sell a cocktail of three anti-HIV drugs, Stavudine, Lamivudine and Nevirapine, to the Nobel Prize-winning voluntary agency Medicine Sans Frontieres (MSF) at a rate of \$350, and at \$600 per patient per year to other NGOs over the world. This

offer has to led to an significant decrease in the prices of these drugs worldwide increasing the accessibility of these drugs especially in the developing countries.

- Ranbaxy, one of India's major pharmaceutical firms operates seven mobile healthcare vans and two urban welfare centers that reach over a lakh people in various parts of northern and central India as part of its corporate social responsibility initiative.
- Tata Consultancy Services (TCS) has set up a fully-equipped computer training laboratory for children from the Society for the Welfare of the Physically Handicapped and Research Centre, in Pune for imparting basic computer knowledge. NIIT has launched a highly popular 'hole-in-the-wall' scheme where it places a computer on a public wall in urban and rural areas so that neighborhood children can learn computer basics using the play-way method.
- Bharat Electronics Ltd built cyclone proof houses for the victims of the super cyclone in with the help of the victims themselves so that the houses are built according to their needs.
- Ion Exchange has founded a profitable venture for environmental protection through water treatment, afforestation and organic farming

Alongwith innovation, corporations have worked hard at integrating corporate social responsibility into their core practices. There is now greater evaluation and stricter accountability and transparency norms for social initiatives along the lines of norm set for mainstream projects and ventures. Sudha Murtjy of the Infosys Foundation, the social initiative arm of the IT major Infosys, explains the great efforts that corporation are going into ensure that the projects they are involved with are actually genuine and serve a purpose, *"We get a lot of projects, so we do a round of elimination....make a shortlist, as to which are the good ones, after a lot of verification. Then we supervise the implementation part by visiting the area. But we have to work very hard, during all holidays, weekends and 18 hours every day,"*^{vi} Several organizations like Gas Authority of India Ltd. (GAIL) have introduced benchmarking exercises for their CSR activities

and industry bodies like Confederation of Indian Industries and FICCI have introduced cross-sectoral programs, for the first time, in CSR related areas.

Public Sector Enterprises, Corporate Social Responsibility And Liberalization

In our narrative so far, we have focused on the private sector and its greater societal obligations. India, also, has a large public sector with several huge corporations. And companies operating in various sectors like petroleum, heavy industries, aviation, mining, steel, equipment manufacturing and shipping. The Indian public sector has had a long tradition of corporate social responsibility and the initiatives of corporations like the Oil and Natural Gas Commission (ONGC), Steel Authority of India Ltd (SAIL) and Gas Authority of India Ltd. (GAIL) have critical in the development of several backward regions of the country. Indian Airlines and Bharat Heavy Electronics have been widely acclaimed for their disaster management efforts.

The era of liberalization has led to the privatization of several public sector units and others being forced to make switch from being monopolies to being free market players with intense private competition. These dynamic process have raised several key questions related to the corporate social responsibility of the public sector:

- What should the social involvement levels of a company or corporation once it is privatized?
- Should public sector units continue to play the same social role as they did in the pre-independence era or is there a need to scale back their social responsibility initiatives?

These are questions that are central to the post-liberalization debate and need further analysis and research. Meanwhile the opponents of privatization have used an ‘corporate social responsibility’ argument for their cause, they argue that considering the vital importance of the social role played by the public sector in India, there should not be any privatization of these vital industries. Once again the lack of adequate research specifically empirical data restricts us from an objective examination of this issue.

Conclusion

The new economic era in India i.e. the post-liberalization phase of the Indian economy was a catalyst for the radical transformation in the corporate social responsibility related practices in the country, The change was two fold: transformation of the conceptual understanding of corporate social responsibility and innovations at the implementation level. At the conceptual level, there was a fundamental transformation from the charity-oriented approach to the stakeholder-oriented approach where the target group was seen as stakeholder in the community whose well-being was integral to the long term success of the company. However, the real revolution occurred at the implementation stages where companies have started committing manpower, expertise in addition to financial resources in order to provide a host of services, programs and schemes that are flexible enough to accommodate the needs of the target community. The CSR initiatives have also seen greater people participation at all stages and tighter accountability standards. The issue of norms for corporate social responsibility seems to have been adequately dealt with by industry practices like benchmarking, CSR ratings and certification by different agencies.

While the situation in the private sector seems satisfactory, there is fierce debate on the social role of the Indian public sector in the post-liberalization phase especially in the light of the twin processes of privatization and the dismantling of monopoly/quota regimes. There is a need for extensive research especially in form of empirical studies to address the questions related to this issue.

ⁱ License Raj refers to the heavy regulation of economic activity in India through various methods like quotas, permits, permissions and licenses introduced during Mrs. Indira Gandhi's times.

ⁱⁱ Statement available at www.tatasteel.com.

ⁱⁱⁱ <www.timesfoundation.org>

^{iv} John Samuel and Anil Sari, Background and Perspective on Corporate Social Responsibility, <www.infochangeindia.org>. The article is one of the best theoretical works on corporate social responsibility that the authors have come across.

^v http://www.iitk.ac.in/ime/MBA_IITK

^{vi} Janaki Murali, Where Service Is The Password. The Hindu Businessline, March 21, 2002.