CHAPTER 4

CORPORATE SOCIAL RESPONSIBILITY

INITIATIVES IN INDIA
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4.1) HISTORY BEFORE INDEPENDENCE

Corporate responsibility is not something new or somewhat foreign to Indian culture. Corporate Social Responsibility success stories in India have more than hundred year old history. India has also made a unique ideological contribution to the agenda of corporate social responsibility. Gandhi’s trusteeship model offering a distinctive approach to vexed questions of ownership & duty is a unique contribution with the Indian business community adopting the concept of trusteeship of wealth. Business & corporate philanthropy can be traced back to the pre-independence days in India when companies funded education & other social welfare activities. During the independence struggle Indian companies supported Mahatma Gandhi’s cause for development of the nation. Many of them were involved in providing education, health services & even clean water.

4.2) AFTER INDEPENDENCE

Even after independence, the private & public sector enterprises voluntarily contributed to community development. But philanthropy, a charitable donation to the citizens in & around the area of operation of the company is different from corporate social responsibility & a more integrated & proactive action towards all the stakeholders is gradually being realized imbibed in corporate policy.

Corporate citizenship may be a new term but it is not a new concept; nor it is alien to India. In 1965, the then prime minister of India, while presiding over a national meeting issued a declaration on the social responsibilities of business that stated;

“[business has] responsibility to itself, to its customers, workers, shareholders & the community.... Every enterprise no matter how large or small, must if it is to enjoy confidence & respect, seek actively to discharge its responsibilities in all directions... and not to one or two groups such as shareholders or workers, at the expense of community & consumers. Business must be just & humane, as well as efficient & dynamic”
4.3) VIEWS OF SOME EMINENT PERSONALITIES ON SOCIAL RESPONSIBILITY

a) Views of Political Parties

Mahatma Gandhi, the father of the nation, was foremost champion of country's all round development. He had a dream of ideal village which he cherished during his life time. It is the responsibility of all of us including business organizations to work with our entire mite for transforming his dream into a living reality. He observed:

"An ideal village should lend itself to perfect sanitation, its cottages should have sufficient light & ventilation, they should be built on local materials, its lanes & streets should be free of dust. It should have wells according to need & access, houses of worship for all, a common meeting place, a village common for grazing, a cooperative dairy, primary & secondary schools in which industrial education will be central factor & its own panchayat for setting disputes. This model village will have its own water works ensuring clean water supply & a compulsory service of village guards."

The then president of India, Mr. Zail Singh, while addressing the industrialist's convention in Ahmedabad on December 12, 1985 organized by the Gujarat Chambers of Commerce & Industry exhorted the business community to be socially responsible & keep welfare of society on uppermost objective in their mind. He observed:

"If god has given you more wealth, it is for the welfare of others. Keep what you need & distribute rest among less fortunate brethren. This should be regarded as best service of business towards society."

Mr. Rajiv Gandhi, Prime Minister of India while addressing congress centenary celebrations in Bombay on December 28, 1985 underscored the need for business organizations to be socially responsible. He made the oblique reference to the subject when he observes that social responsibilities such as tax evasion cannot be allowed to continue. He started that industrialization springs from the development of indigenous technology, not from dependence on others. He cautioned that industrial empires built on the shaky foundations of excessive protection, social irresponsibility, import orientation & corruption may not last longer."
Mrs. Indira Gandhi, the late prime minister of India, during courage of her address to a group of industrialists in Madras on October 5, 1969 made some important observations having linkage with address she offered to lift government controls to the extent private trade & industry took measures to commit themselves towards social obligations. She observed that her government was not committed to exercise controls for controls sale. She observed that in her view social responsibilities of business involved a fair deal for labour, concern for production of quality products, earning only legitimate & reasonable amount of profits & compliance with the government rules & regulations in right earnestness.

Mr. Balram Jakhar, the Lok Sabha speaker in his presidential address to the first Bhamashah memorial lecture on the theme ‘social responsibilities of business community’ in New Delhi on August 4, 1986 emphasized the need for the business community not only to be happy & contended themselves but to spread their happiness & progress among other fellow also who may not be so privileged. It is every one’s duty to refrain from indulging in socially irresponsible acts like adulteration & black marketeering. He observed:

“We need to rekindle that spirit of sacrifice that characterized great souls like Bhamashah.”

Veteran freedom fighter & sarvodaya leader late Mr. Jaya Prakash Narayan organized a spate of conferences & seminars on social responsibilities of business in the country. Addressing one of the seminars held in Calcutta during March 25-27, 1967, he observed:

“Economic activity must serve a much wider purpose than mere production of goods in an efficient manner as possible. It must contribute at the same time for general good, for social justice, for preservation & development of human resources & dignity for growth of community, interest & participation of diverse elements involved in economic growth for achieving common good. In order that business might be able to discharge its responsibilities, an enlightened philosophy of management has to be evolved & incorporated in management training courses. Management has to be freed from one-sided dependence on any single interest & taught to take a broad view of its varied responsibilities.”
Dr. C.H. Hanumantha Rao, then member of the planning commission, while inaugurating the workshop on theme "business-government interface in rural development in New Delhi on July 10, 1984; underscored the need of business involvement in rural development. Dr. Rao said that industry & trade could contribute a great deal in income generation & social development activities. According to Dr. Rao the government & business must view the human resource development particularly in rural areas as an important aspect & the business can provide considerable support to the country's development programmes under the aegis of its social responsibilities.'

Mr. S C Verma, a former secretary of the ministry of rural reconstruction in his valedictory address to the seminar on 'Rural Development, involvement of business & industry' organized by the Bombay Chambers of Commerce & Industry during November 22-23, 1980, asked the business community to work for improving the technical & managerial skills of rural artisans. He suggested:

"For this purpose, a network of training institutions is required to be set up more so in far flung villages where country's tribal people & Hillman live. Their skill to produce handicrafts, handloom fabrics etc. need to be improved, some kind of semi-mechanization needs to be introduced in order to eliminate drudgery & raise income levels. At the same time, arrangements for marketing of their product should be regularly fed to them. Business houses can make real contribution in these areas by their innovative & bold efforts."

Mr. N K Bhatt, Member of Parliament & the Chairman of the centre of labour education & social research [CLEAR], New Delhi while delivering his welcome addresses at the national seminar on technology, productivity & employment held at the Ashoka Hotel, New Delhi during April 4 and 5, 1986 asked the business community to be socially responsible & make its activities on this score accountable to the public. He observed:

"Concurrently management, be it, the public or private sector, has to adopt itself to the new realities with greater slant on social responsibility & accountability. Technology gains have to be shared across the board; not merely by those who are employed in the system but also by society as a whole including the consumers; not only to be appropriated by those who develop & own it. Privilege without benevolence, power
without responsibility, rights without duties should not be the prerogative of any one least
of all of the ‘elite’ class or of an ‘elite’ system. Trade Union cannot be exception of this
discipline either.”

Mr. M.R.masani eminent freedom fighter & co-founder of erstwhile swatantra party of
India, encouraged business organizations to be both socially responsible & accountable to
the public for its social performance by following system of independent social audit. In
one of his papers on the subject he wrote:

“In India a few industrial organizations could make a beginning by inviting a group of
responsible academicians, social workers & sarvodaya workers to go into the
performance of their company as a citizen & report to the public on its involvement in
community’s social and educational life. It is not enough for industrial organizations to
give donations to educational institutions & build concert halls once in a while or erect
beautiful parks in public places. A report on company’s social performance by an
impartial & outside team of observers would go a long way in making the general public
aware of the work done by organization”

b) Views of Businessmen

Mr. J.R.D Tata, doyen of the Indian Industry & former chairman of the Air India & the
TISCO, was a motive force behind the TISCO’s outstanding social performance. He was
responsible for arranging social audit of its performance by an independent group of
eminent persons. He wrote & spoke extensively on social responsibilities of business. He
once observed:

“While profit motive no doubt provides main spark for an economic activity & enterprise
which is not motivated by considerations of urgent service to the community becomes
outmoded soon & cannot fulfill its real role in a modern society.”

According to J.R.D Tata, business organizations should assist in relief operations
undertaken to alleviate sufferings caused by natural calamities. This can be done either by
direct involvement in relief operations or by engaging services of other voluntary
organizations. In one of his writings in the economic times, he observed:
“Apart from undertaking community activities on a continuous basis, business organizations should also feel obligated to participate to the extent of their ability & resources, in the relief of distress caused by natural calamities, either by contributing to official funds raised by undertaking relief projects themselves. The later has been practices for many years in the industrial group to which I belong, as in the case, amongst others of the Bihar earthquake & famine in 1934 & 1966, the Koyna earthquake in 1967 & the cyclone which ravaged the Andhra coast in 1977.”

According to J.R.D Tata, social responsibility of business should be viewed as something additional over & above their normal functions. He observed:

“In a poor country like ours, in which so many of the people are economically deprived & oppressed, the social obligations of business organization as I conceive them must go beyond the accepted routine duties of making a good product, selling it at a fair price, paying their wages, providing good working conditions to labour & paying taxes in full. In every city, town or village, large & small there is always need for improvement, for help, for relief, for leadership & for guidance. I suggest that the most significant contribution organized industry can make is by identifying itself with the life & problems of the people of the community to which it belongs & by applying its resources, skills & talents to the extent that it can reasonably spare them to serve & help them.”

Late Mr. G.D. Birla, one of the most respected business leaders of modern India and a close associate of Mahatma Gandhi, was responsible for numerous philanthropic services that were carried out under his patronage. Mr. Birla’s life is a remarkable story of a noble & spirited individual developing into a mighty one man institution dedicated for the service of poor & downtrodden as president of the federation of Indian Chambers of Commerce & Industry in 1929. Mr. Birla made a clarion call to the business community to keep national interest uppermost in mind. He said:

“Let’s pledge to work for building up new industries & enlargement of scope of all, means of production & give an impetus to private & community initiative to make a great & prosperous nation”

The Birla group of industries is known for building up series of temples in the country including the famous Laxmi Narayan temple in Delhi. Establishment of the Birla Institute
of Science & Technology at Pilani & transforming it into one of the country’s foremost engineering institution is a reflection of Birla’s Group’s concern for development of science & technology in the country. A supporter of hard work & a work addict himself, he once observed:

“Hard work never killed any an only. Only hard work can help me to live long & serve my people in my own humble way. Progress comes from a succession of confident steps. A climate for development must be fostered all the time. An atmosphere for social transformation & injecting pride in entire industrial atmosphere from unknown worker at the bottom to the top policy maker must be created. We have with us all capabilities & resources required for building a strong & prosperous nation.”

Mr. K.N. Modi, a very eminent industrialist & co-builder of the Mody group of industries & a former president of the Indian Chamber of Commerce & Industry believes that organizations should always be acceptable to the social needs. According to him the primary social responsibility of business is to first carry out its operations most efficiently & economically which is society’s foremost expectation from it. It is only after its performance is rated satisfactory on his score that business can be expected to contribute towards community development. In one of his writings in the Economic Times, he observed:

“There can’t be and should not be confusion about main responsibilities of business which lies in producing & distributing goods & services both efficiently & economically. Unless goods & services are produced economically, it becomes infeasible & impractical to discharge other responsibilities towards society. Hence its economic & efficient functioning is to be regarded its foremost social responsibility. This however should not be taken to mean that it has no responsibility beyond its operational area. Since business functions in a social surroundings & is a part of it, it cannot be oblivious to its environment. The interaction between business & society is constant with one influencing the other. The structure of business is tripartite, comprising shareholders, workers & consumers. Business owes responsibilities towards all the three. It is also required to meet economic expectations of the investing public. Needs of the workers have to be equally looked after, at the same time consumers have to be served well. As industry
normally works in vicinity of a locality, it becomes obligatory to work for the welfare of the community it is surrounded with.”

According to Mr. Harish Mahindra, a leading industrialist & manufacturer of light commercial vehicles, business organizations should have balanced approach towards shareholders, labour, consumers, government & society at large. According to him the biggest social responsibility of business lies in conducting its operations efficiently & economically. In one of his writings, in the economic times, he observed:

“While working in a way so as to earn profits & safeguard its interests, business organizations should ensure that other groups in society with whom it has direct & indirect dealings i.e. shareholders, labours, consumers, government & society at large are not in any way suffers. Furthermore, as part of social responsibilities, business organizations should ensure a reasonable return on capital employed, create healthy work environment, pay fair wages to labour, give a product to the consumer which is its money's worth, keep records clear, make regular payments of dues to government, carry out its operations without harming society i.e. without causing any pollution etc. With this kind of society responsible behavior, business organization would not only add to country’s wealth but would make them equally rich.”

Mr. H.P. Nanda, a noted industrialist & former president of the associated Chambers of Commerce & Industry of India while addressing a workshop on industry & rural development organized at Bombay on May 10, 1977 asked the business community to work for improving economic conditions in villages which in the final analysis is also in their enlightened self-interest. He observed:

“We should consider the task of improving purchasing power of eighty percent of population living in villages not as a charitable trust. Business should do so for its own survival because unless the purchasing power in villages goes up, the industry will not find any growth in demand for its products manufactured by them. Our economic growth would not be successful unless millions of rural poor are benefited.”
c) Views of Social Workers

According to Mr. B. Rudramurthy, the then rural development advisor in Mafatlal group of industries, social responsibilities of business should be viewed as complimentary to its normal business activities. An organization in true sense can’t grow & prosper if surrounding community continues to be poor & under developed. He wrote:-

“A prosperous industrial sector cannot continue to grow & remain prosperous while the vast rural sector remains backward. It leads to economic distortions & social disparities which may lead to political instability adversely affecting industrial growth. Islands of prosperity can’t continue forever to withstand rough currents in an ocean of poverty. The developed sector cannot continue to develop unless it takes the developing sector also along with it”

Mr. Rudramurthy added while summarizing the philosophy of the Mafatlal group of industries concerning its community welfare programmes:

“The crux of rural development lies in improving economic conditions of rural poor. The three crucial inputs in rural development are appropriate technology, motivation of rural people & managerial support for transfer of technology to rural poor. The Bhatiya agro industries foundation at Urlikanchan was involved in developing overall strategy & support, the Shri Sadguru Seva Sangh Trust in motivating rural folk & the Mafatlal group of companies in implementing the agreed course of action.”

According to Mr. R.K Daya, vice president of the Hindustan Motors ltd, business organizations need to bring some kind of attitudinal change in their working to be socially responsible. Organizations cannot alleviate all the problems of the nation but they can certainly stay alert & responsive to the social needs. In one of his writings in the economic times he noted:

“it would be inappropriate to expect that the complete energy of the corporation would be directed to curing all the problems of the nation. It is, however, important that each corporation should pay attention to all consequences of its activities. Business enterprises are not designed to be either political or cultural institutions but the business community will be well served by making a habit of mind that stays alert to social requirements. The
corporate responsibilities include how well the business is conducted everyday. It must be thoughtful institution which rises above the bottom line to consider among all the impact of its action on the constituents from shareholders to the society at large corporate business activities must make social sense just as its social activities must make business sense”

d) Views of Eminent Personalities from Abroad

According to Peter Drucker, a legendary figure in the field of management of organization, it is the responsibility of government to identify development needs of society & evolve a plan of action & involve concerned groups in this task including business organizations. Business apart from being socially responsive should carry out its usual operations efficiently & economically which is foremost social responsibility when its own performance is rated satisfactorily, society expects that it should extend its helping hand in alleviating some of the social problems as it is not possible for the government to do everything as its own. He observed:

“Business should develop concern for society & pursue welfare activities which should form an important area of operation. It is a demand that quality of life becomes the business of business. The traditional approach asks how can we arrange the making of cars (or of shoes) so as not to impinge on social values & beliefs, on individuals & their freedom & on the good society altogether. The new demand is for business to make social values & beliefs create freedom for individual & altogether produce good society”

According to Prof. Paul Samuelson, the world renowned economist & noble- laureate business organizations should not only be socially responsible but they should perform well on this score. He expressed:

“A large corporation these days not only may engage in social responsibilities, it had damn well better try to do so.”

According to Prof. Robert Dahd, an eminent writer on social responsibilities, it is obligatory on part of business organizations to be socially responsible as they primarily exist to benefit society. He wrote:
"Today it is absurd to regard the corporation simply as an enterprise established for the sole purpose of allowing profit making. We, the citizens, give those special rights, powers & privileges, protection & benefits on the undertaking that their activities will fulfill our purposes. Corporations exist because we allow them to do so. And we allow them to exist only as they continue to benefit us. Every corporation should be thought of as a special enterprise whose existence & decisions can be justified only in so far they serve public or social purpose."

According to Mr. Aijay Miller, a past president of the Ford Motors company in Detroit in the United States, social responsiveness of business organization is an indicator of its sound performance. He observed:

"The ability of a corporation to protect & enhance shareholders equity depends crucially upon prosperity, goodwill & confidence of larger community, acceptance of a large measure of responsibility towards community is, therefore, good business as well as good citizenship."

An analysis component is discussed in the next unit. The title of this unit is a comparative study of Indian Companies and Foreign companies with reference to Corporate Social Responsibility. An Attempt is made to calculate performance score of different areas covered by the selected companies to serve the society by domestic companies and foreign companies. Another attempt is made to calculate company wise performance score of Indian and foreign companies. Finally trend of Indian Companies is compared with the trend of foreign companies.

In brief subsequent unit deals with comparative analysis in reference to Corporate Social Responsibility performed by Indian and foreign companies and their trend comparison.