

The Evolution of Corporate Social Responsibility in India

India has a long tradition of paternalistic philanthropy, which has been followed since ancient times, albeit informally. The concept of helping the poor and disadvantaged is cited in several ancient texts, and philosophers such as Kautilya preached and promoted the incorporation of ethical principles in business. In the pre-industrialized period, religion and charity were the key drivers of this philanthropic tendency. Industrial families of the 19th century had a strong inclination towards social causes [i]. For example, they established temples, schools, higher education institutions, and other public infrastructures. However, these contributions, monetary or otherwise, were sporadic activities of personal charity, unrelated to business interests.

However, the last decade of the 20th century witnessed the beginning of a shift in focus from traditional charity and philanthropy towards a more direct form of engagement by business in development and social issues. There has been a growing realization that business cannot succeed in isolation, and that wider social progress is necessary for sustainable growth to be achieved. The term Corporate Social Responsibility (CSR) came into common use in the early 1970s. Today, corporations across the globe operate in highly complex and competitive environments. The risks they face are not only financial, operational, or technological. The effects of wider social problems and inequalities bear influence not only on how business organize themselves but on their overall success in the long-term. Therefore, corporate leadership is focused more than ever on social responsibility.

CSR promotes a vision of business accountability towards a wider range of stakeholders, beyond just shareholders and investors. It is defined as, "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It entails a continuing commitment by business to behave fairly and responsibly, in hopes of improving the quality of life of the workforce, families, the local community, and society at large" [ii]. The modern notion of CSR in India entails a strategic focus on community development through various educational, research, and cultural projects. Indian companies are now considering on a wide-scale their stakeholder responsibilities and societal obligations, and not only shareholder profit. CSR has many facets, and it's important to note its interconnectedness with corporate governance, social inclusion, and economic growth.

The economic growth of India in the last two decades (India witnessed a whopping 2216% increase in GDP and 1,388% jump in per capita income during this period) [iii] is impressive, but it continues to face several challenges in health and sanitation, education, unemployment, the environment, and other fields. The Indian government has taken proactive steps with the 2013 Companies Act, which essentially mandates CSR. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. Moreover, any surplus arising out of CSR activities should be contributed back towards CSR activities over and above the figure of 2%. Under the act, the provision and clause of CSR is applicable to companies:

- With an annual turnover of 10,000 Million or more INR
- A net worth of 5,000 Million or more INR
- A net profit of 50 Million or more INR

The activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act. The company can implement its CSR activities through the following methods:

- Directly on its own
- Through its own non-profit foundation, established to facilitate this initiative
- Through independently registered non-profit organizations that have a record of at least three years in related activities
- Collaborating or pooling resources with other companies

The mandatory CSR reporting has unique advantages. It allows corporates to demonstrate their commitment towards organizational transparency and can be a communication tool to engage with different stakeholders, including shareholders, regulators, communities, customers, and society at large. CSR reporting also provides an opportunity for corporations to reflect on internal processes, as well as compare their CSR performance with competitors. While the Act provides an overall guiding framework for the CSR initiatives of corporations, it also provides ample autonomy and flexibility to design and implement programmes.

Today, nearly all leading corporations in India are involved in CSR programmes, in areas like education, health, skill development, and social empowerment. Large numbers of companies are actively reporting their social activities to various stakeholders through their annual reports, newsletter, CSR reports, and sustainability reports. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, Coca Cola India, PepsiCo, and ITC Welcome group, among others.

India is currently experiencing a critical phase regarding how best to continue its impressive growth, and Indian companies have increasingly focused on strategic CSR initiatives as a means of contributing the development on a national level. Some of the other drivers pushing business towards this trend in CSR are underlined below [\[i\]](#):

The shrinking role of government: The emergence of a more capitalistic Indian economy from socialistic patterns has undermined the role of governments in the economy. Shrinking government resources, distrust of regulations, and implementation issues have led to the exploration of voluntary and private initiatives.

Demands for greater disclosure and transparency: There is a growing demand for disclosure and transparency of corporate activities from various stakeholders, including customers, suppliers, employees, and activist organizations.

Growing investor pressure: Investors are changing the way they assess companies' performance, and making decisions based on ethical criteria. Investors are seeking to invest in companies that are trying to solve social problems through innovative business models.

Competitive labor markets: Employees now value more than ever quality of work life and working conditions, and employers are changing their thinking by treating employees as resources, rather than mere commodities.

The practice of CSR is not new in India but has been given strategic direction and pace by policy. Indian companies are now prioritizing wider stakeholder responsibilities and societal obligations, along with shareholder-wealth maximization. In the future, it is vital to ensure that implementation of new regulations and initiatives are done in a strategic, systematic, and thoughtful manner so that social issues can be addressed in an effective way.