Chapter 8
Corporate Social Responsibility

Companies with their eye on their 'triple-bottom-line' outperform their less fastidious peers on the stock market

– The Economist

Globalization can be a force to create growth and opportunities. It has opened markets and linked economies and cultures. In empowering individuals and groups as never before, it has also led to demands for greater attention to be paid to issues such as human rights, environmental protection, and labor standards – the issues that form the core of the corporate social responsibility (CSR) agenda.

We propose that it would be an appropriate time for governments of the hemisphere to consider initiatives for engaging the private sector, the multilateral development banks, and civil society in a dialogue directed towards practical outcomes in support of the principles of good corporate governance and social responsibility.

Balancing corporate investment with community investment is the way of the future. With growing public interest and concern regarding the sustainability of communities as globalization deepens, it will be necessary to show that the nations are working together to ensure that the activities of the business community make a positive contribution to the communities in which they do business.

8.1 The Current Phenomenon

Already an increasing number of companies are recognizing that globalization is transforming corporate responsibility from a choice into an imperative. A recent international inquiry into consumer expectations concluded, for example, that 20 % of consumers surveyed had avoided products and services of particular companies because of their negative ethical profile, and a further 20 % were considering doing so.

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The fact is that in today's connected world, there is no hiding place for poor corporate citizens and no excuse for poor corporate citizenship. Whether it is labor practices, environmental habits, or human rights, companies today must be concerned about their global reputations because their actions can quickly become globally known. The Internet is both the great advertiser and the great tattler – it can open doors faster than you would believe. But it can also close them faster than you'd imagine.

8.2 The Threshold of CSR

CSR is generally understood to be the positive role that businesses can play in a host of complex areas, including safeguarding employees' core labor rights (to nondiscrimination, freedom of association, and collective bargaining against child labor and forced labor), protecting the natural environment, eliminating bribery and corruption, and contributing to respect for human rights in the communities where they operate.

CSR is not new to the international agenda; it has been around for many years. It has been gaining prominence and momentum worldwide: Conferences are held weekly, papers and articles are published almost daily, and new and innovative partnerships are being developed. There is reason for optimism. Even if we look only as far back as the Battle of Seattle in the fall of 1999, since then numerous initiatives such as the OECD (Organization for Economic Cooperation and Development) Guidelines for Multinationals and the Global Compact have been introduced, implemented, and, in some cases, refined and implemented again.

8.3 The Global Scenario

The growing international and domestic interest in CSR stems largely from the concerns held by many in every society about the real and perceived effects of rapid globalization. The interest has been reflected in the expectation that globalization must proceed in a manner that supports sustainable development in all regions of the world. People insist that the activities of corporations should make a positive contribution not only to the economic development and stability of the countries in which they operate but also to their social and environmental development. Failure to respond to such an agenda satisfactorily will contribute to increased social tensions, environmental degradation, and political upheavals. Good corporate conduct makes an important contribution to sustainable development in any community and thus goes a long way towards responding to the concerns that globalization raises.

Many companies and business associations have recognized the importance of CSR. Not very long ago, the dividing line between business and society appeared to be clearly drawn. According to the economist Milton Friedman, "There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits." This view no longer prevails.

The CSR agenda is a complex one, requiring cooperation among a wide variety of stakeholders to be addressed effectively. Improved dialogue between the private and nongovernmental sectors is one positive pattern emerging from recent corporate social responsibility trends. While early relationships were often characterized by mistrust and misunderstandings that fed a cycle of opposing actions and reactions, today stakeholders are increasingly recognizing the value of multi-sector dialogue or partnerships to achieve substantive, long-term reform.

Such a dialogue can facilitate a better understanding of the expectations and concerns of key stakeholders, and it can also act as a forum where debates over differences are more about identifying mutually acceptable solutions and practical implementation steps than reiterating entrenched, nonretractable positions. Forward-looking companies and NGOs are working with their stakeholders and, in the process, are benefiting from the expertise of all involved. Responsible development brings major challenges, and no one stakeholder is capable of adequately responding to them alone.

The international community has policy tools to influence business activity within and between nations and to help ensure that globalization proceeds in a way that benefits all. These tools include legislation and regulatory frameworks, voluntary compliance with an agreed set of standards monitored by a third party, or self-regulation by businesses, often in conformance with voluntary codes of conduct.

The modern concept of environmental sustainability goes back to the post-World War II period, when a utopian view of technology-driven economic growth gave way to a perception that the quality of the environment was linked closely to economic development. Interest grew sharply during the environmental movements of the 1960s, when popular books such as *Silent Spring* by Rachel Carson (1962) and *The Population Bomb* by Paul Ehrlich (1968) raised public awareness.

There are two related categories of thought on environmental sustainability. In 1968 the Club of Rome, a group of European economists and scientists was formed. In 1972 they published Limits to Growth. Criticized by economists of the time, the report predicted dire consequences because humans were using up the Earth's resources and it advocated as one solution the abandonment of economic development.

There followed the formation of groups sympathetic to the general premise that human society was growing too quickly and/or using up its resources, including the founding of the Worldwatch Institute in 1975. In a different category, other groups formed to focus less on population growth control and slowing economic development and more on establishing environmental standards and enforcement. In retrospect, while some of the predictions made in *Limits to Growth* have proved to have been unfounded or premature, the warning it sounded is regarded as valid by many today.

There is also a positive way to view sustainability: though values vary greatly in detail within and between cultures, at the heart of the concept of sustainability, there is a fundamental, immutable value set that is best stated as "parallel care and respect for the ecosystem and for the people within." From this value set emerges the goal of sustainability: to achieve human and ecosystem well-being together.

It follows that the "result" against which the success of any projector design should be judged is the achievement of, or the contribution to, human and ecosystem well-being together. Seen in this way, the concept of sustainability is much more than environmental protection in another guise. It is a positive concept that has as much to do with achieving well-being for people and ecosystems as it has to do with reducing stress or impacts.

Many people have pointed to various practices and philosophies in the world today as being inimical to sustainability. For instance, critics of American society state that the philosophy of infinite economic growth and infinite growth in consumption is completely unsustainable and will cause great harm to human civilization in the future. In recognition that the Earth is finite, there has been a growing awareness that there must be limits to certain kinds of human activity if life on the planet is to survive indefinitely. In order to distinguish which activities are destructive and which are benign or beneficial, various models have been developed. Such models include: life cycle assessment, ecological footprint analysis, and The Natural Step.

One of the critically important issues in sustainability is that of human overpopulation. A number of studies have suggested that the current population of the Earth, already over six billion, is too many people for our planet to support sustainably. A number of organizations are working to try to reduce population growth, but some fear that it may already be too late.

Critics of such efforts, on the other hand, fear that efforts to reduce population growth may lead to human rights violations such as involuntary sterilization and the abandoning of infants to die. Some human rights watchers report that this is already taking place in China, as a result of its one child per family policy.

The World Business Council for Sustainable Development, founded in 1995, has formulated the business case for sustainable development and argues that "sustainable development is good for business and business is good for sustainable development."

In the age of globalization, corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. One of the key characteristics of globalization is the spread of the market and the change in the mode of production. The centralized mode of production has given way to a highly decentralized mode of production spread across the world.

In the last 20 years, multinational corporations have played a key role in defining markets and influencing the behavior of a large number of consumers. The rules of corporate governance have changed too. And there has been a range of reactions to this change. On the one hand, globalization and liberalization have provided a great opportunity for corporations to be globally competitive by expanding their production base and market share. On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against multinational corporations in different parts of the world. Laborers, marginalized consumers, environmental activists, and social activists have protested against the unprecedented predominance of multinational corporations.

In general corporate social responsibility (CSR) can be described as an approach by which a company:

1. Recognizes that its activities have a wider impact on the society in which it operates and that developments in society in turn impact on its ability to pursue its business successfully
2. Actively manages the economic, social, environmental, and human rights impact of its activities across the world, basing these on principles which reflect international values, reaping benefits both for its own operations and reputation and for the communities in which it operates
3. Seeks to achieve these benefits by working closely with other groups and organizations – local communities, civil society, other businesses, and home and host governments

This approach is derived from principles of sustainable development.

Other terms that are used alongside CSR are corporate responsibility, business responsibility, sustainable development, business ethics, and corporate citizenship.

8.4 Possibility

Businesses need fairness operating on a global basis. They have difficulty dealing with differing regulations, corrupt systems, and so forth. It is, therefore, in the interest of business to strengthen global mechanisms and establish a level playing field. To achieve that, it would be reasonable for businesses to pay taxes, assuming, of course, that the taxes were applied fairly. As business becomes more enlightened, it will become a leading force to establish effective global institutions, since these institutions will be good for business. Governments hold back for fear of losing power and eroding national sovereignty. So leadership has to come from elsewhere. Businesses are, in many ways, well placed to lead the effort to build the structures all of us need to make this system operate more effectively on a global basis.

We need, too, to find ways to balance all the accounts not only within corporations and within nations but also globally. And these accounts, whether they be social accounts or environmental accounts, are seriously out of balance. Here we face an enormous challenge, one that we can overcome through voluntary acts of consultative will or else we will be forced to respond to the challenge because of crises and catastrophe. At this point we seem to be more beset by crises and catastrophe than benefiting from voluntary will. But the potential is there. And business can provide the leadership needed to push society into a more constructive direction. We need to get affluent Western society to move away from ultra-materialism and excessive consumerism and, in doing so, simplify its lifestyle and increase its efficiency. Through greater simplicity in our lives and improved efficiency, we can maintain a similar quality of life while reducing by a factor of ten our consumption of energy and resources. Studies done in Europe show this to be technically possible. So one of the challenges for business is to find ways to raise efficiency, reduce use of materials, increase production of services, and support recycling processes. By doing so, we can achieve these technically challenging but attainable goals.

Companies increasingly rely on the creativity, entrepreneurship, and initiative of all their employees to be successful. As consumer and market needs change more rapidly, and many companies become more decentralized, employees on the front lines must be empowered to make good decisions on their own. A clearly communicated system of values is key to rapid and appropriate decision making, especially since written "do's and don'ts" codes cannot keep up with newly emergent ethical dilemmas.

The triple bottom line approach is a proactive answer to questions raised by investors concerned with increased transparency and accountability. Companies that measure their performance according to economic, environmental, and social performance are simply practicing cutting-edge risk management.

8.5 The Global Reporting Initiative and Sustainability

The Global Reporting Initiative (GRI) is an independent global institution that is developing a generally accepted framework for sustainability reporting. The aim of the GRI guidelines is to enable companies and other organizations to prepare comparable "triple bottom line" reports. The end goal of the GRI is to make sustainability reporting as routine and credible as financial reporting in terms of comparability, rigor, and verifiability.

Industry, accountants, academics, and nongovernmental organizations have all been involved in drafting the guidelines. The most recent draft was released during the World Summit on Sustainable Development in Johannesburg recently. Founded by the Coalition for Environmentally Responsible Economies (CERES), the GRI works in close collaboration with the UN and is headquartered in Amsterdam.

Reporting according to a standard such as the GRI will not solve all of a company's problems. Companies are rarely either as virtuous or corrupt as they are portrayed to be. What people want is a balance of anecdotal and hard data; a frank discussion of challenges as well as a discussion of strengths; a discussion of a company's overarching philosophy on sustainability as well as concrete goals; a discussion of how well prior goals have been achieved; and, finally, quantitative performance measures that provide the opportunity to compare a company's performance over time and against other firms.

Reporting does not guarantee social acceptance, but social investors, at least, do tend to consider transparency a strength. And companies that are transparent are likely to be treated more fairly by environmental and social activists, as well as the press, than those that hide behind a veil of secrecy or issue glossy green-washing reports with few hard facts.

8.6 Achievements in Indian Context

CSR in India is being seen as a corporate philanthropy while these are many developments in line with global trends in CSR. With the challenges of globalization, liberalization, and the emerging trend towards a free market economy-facing India, the role of CSR is paramount. Because the foreign investment has increased in India, trade links of India and developed countries grown and extended role of private companies, these has been powerful influence on CSR in India.

Companies operating in India are increasingly recognizing the fact that the best way for their business to grow is by aligning themselves with the nations' development objectives.

According to a study commissioned by Action Aid India and conducted by the Indian Market Research Bureau:

1. 70 % believe they have an obligation towards the society upon whose resources they are drawing.
2. 50 % felt concern for a specific group. Forty percent felt concerned for the underprivileged.
3. 23 % cite benefits to the organization.

According to the same survey the following are some of the "benefits" perceived by the companies ($n=600$) for being philanthropic:

1. Satisfaction in fulfilling social obligation: 45 %
2. Improved credibility with the general public and the government: 28 %
3. Builds confidence and pride in staff: 19 %
4. Tax benefits: 9 %

Role of companies in development:

1. Belief in corporate social responsibility: 85 %
2. Belief in corporate across age and turnover: 91 % (40+ years/160 companies)

Ways in which companies can contribute:

1. Work for customer satisfaction
2. Help to rural people
3. Infrastructure
4. Plantation, environment, and pollution control
5. Donating money
6. Helping the down trodden
7. Medical help
8. Help in education
9. Increase employment

Policy:

1. Policy on corporate involvement in development: 78 %
2. Written policy: 11 %
3. Detailed policy document comes: 3 %

Social development activities:

1. Involvement in social development activities: 69 %
2. Health: 21 %
3. Education: 14 %
4. Natural Resource Management: 9 %
5. Infrastructure: 30 %
6. Community support: 6 %
7. Livelihood: 8 %
8. Others: 15 %

Beneficiaries of the social development activities ($n = 920$):

1. Employees: 18 %
2. Shareholders: 1 %
3. Suppliers: 3 %
4. Urban people: 11 %
5. Rural people: 24 %
6. Community at large: 41 %
7. Some specific target group: 49 %

(*Report on survey on Corporate Involvement in Social Development in India, July 2000, published by Partners in Change, New Delhi, India*)

Our present society has fundamental structural and institutional problems that we must recognize and manage to resolve. We must change the basic operating principles and values of the structures of our society if we are to move in a more moral, ethical, and spiritual direction. For instance, because the economic system only values what is marketed or traded, everything else is considered an externality of no importance to economic analysis.

A fundamental problem with economics is that it maintains inadequate accounts. Paying attention only to what has monetary value, economic analysis misses much of what is happening in society. It is like trying to take care of an automobile only by keeping the tank filled and ignoring everything else necessary to keep it running safely. Moreover, society also follows the wrong economic guidelines. Take a measure like gross domestic product. GDP is widely equated with prosperity: higher GDP means greater prosperity. However, GDP also grows because more people are suffering from the health effects of pollution; it grows if more automobile accidents occur requiring repairs, replacements, and medical treatment. So GDP is no accurate measure of prosperity and ought not to be used to measure it. The use of monetary measures is similarly inadequate. Too often people say "more money equals prosperity." But you cannot eat money. If food runs out, money has no value at all. Neither money nor profit can measure human happiness and well-being.

A related problem is consumerism, the pressure, through advertising and other exhortations to go out and buy, buy, buy to keep the economy going. An American expression, "When the going gets tough, the tough go shopping," captures this misplaced emphasis. A system that pushes people to buy things they do not need, in a world of limited resources in which people are starving, is a system that has something structurally and fundamentally wrong with it.

The drive for increased productivity is another issue in which the logic of individual decisions has a perverse collective impact on society. Raising productivity is an economic imperative. A company must raise its productivity and reduce its labor costs to increase its profitability. Yet this ignores the fact that employees are also consumers. If the number of people earning wages declines, there are that many fewer consumers to buy products and services. It is a case of sawing off the branch you are sitting on. To benefit the economy in a real sense, why not seek to make everybody a consumer by ensuring total employment. Instead, decision making in the corporate system moves in the opposite direction. This is encouraged by another structural problem in Western economies: the privatization of employment and the socialization of unemployment. In other words, companies reduce their labor costs in the short term by transferring to the government the cost of maintaining the redundant workers. Such a short-sighted system ignores the importance of work as a contribution to society and a spiritual obligation.

Then, of course, the economic system ignores the poor. Since they are not consumers, the poor are excluded or forgotten. Their presence illustrates a series of fundamental failures in present mechanisms for redistributing wealth within society. Any developed society considers extremes of wealth and poverty to be unacceptable. The poor cannot be left to die while the rich walk over their bodies, of course, so at least some effort is made to put the poor out of sight in some way. There is, however, a greater moral principle that requires some level of wealth sharing, and taxation systems are designed to do that. Yet, it is possible to escape taxation. With globalization, wealth creation is increasingly reported not in the countries with strong tax systems but in the Cayman Islands, Vanuatu, and other so-called tax havens. Such avoidance of taxation is logical within a system in which the first priority is to maximize profit. Multinationals increasingly shift their real wealth creation out of places where taxation is heavy, escaping the mechanisms that allow restoration of the social balance. One of the most fundamental crises with globalization today is the breakdown of the mechanisms for redistributing wealth.

Nor does the present economic system assign a meaningful priority to the needs of the poor. Where there is no potential income, there is no market and, therefore, no business interest. As a result, there is little incentive, in terms of the profit motive, in developing medicines to combat the diseases of the poor who cannot afford to buy them. There are many choices between elaborate technologies that can sell for a high price and those technologies that people can do for themselves without expensive inputs. Most business effort goes into products that yield profits. No mechanism encourages people to use technology they can apply themselves because there is no market for it. The profit motive, not the well-being of people or the overall benefit to humanity, pushes development towards high technology.

With respect to environmental sustainability, the economic system fails to deal effectively with most environmental problems. It works at the wrong scales in time and space. The economic system is very short term, while most environmental problems are long term and planetary and occur on a very large scale. Businesses only deal with some small fragments of such problems. No mechanism puts together individual forms of corporate behavior to enable us to look at the larger picture. The result is a fundamental mismatch when it comes to dealing with such large-scale problems as carbon dioxide accumulation, the ozone hole, persistent organic pollutants, soil and water management, and the like. Too often, the economic system fails to come to grips with the essential issues because it tries to deal with them at the wrong scales in space and time.

Another area of growing concern involves intellectual property. In economic terms, we are witnessing a new "privatization" of "the commons." Businesses are exploring ways to make money by buying (or privatizing) information (the commons) that it can then sell at a profit. Unlike most products, however, the more information is shared, the greater its value to society. Information on good soil management, for example, can be sold as a product only to farmers who can afford it, leaving other farmers to continue destructive agricultural practices. Obviously, there would be greater benefit by making such information available to all who can use it. This brings us to a point where two fundamental value systems collide.

The questions posed by these problems are fundamentally ethical: How do we foster a new moral, ethical, and spiritual foundation in business? How do we establish new ground rules for business to help it contribute to a more ecologically sustainable society? How can we create a broader legal and institutional framework in which business can work to overcome the problems of fragmentation of responsibility and of inadequate or absent moral and ethical accountability? The root of the problem lies in the way in which economic institutions are structured. We need to explore how we can maintain the vitality of corporate structures and their ability to evolve quickly but within a framework built around ethical, moral, and spiritual values that will help the system work effectively for society as a whole.

8.7 Indian Context

India is also working to promote CSR through support for the development of globalization that is already a force for great change, not simply a specter on the horizon. Through technology, communications and economics, globalization, and our increasing interconnection are inevitable. Time, distance, and geography are disappearing: globalization is a reflection of that reality. In this environment, companies can and do make an important contribution to sustainable development in communities where they operate. Certainly progress has been made in some areas. But we must temper our optimism with the awareness that there is still much to be done and many challenges for us to keep in mind as we strive to ensure that globalization is for the benefit of all people, in all countries of the world.

The Indian economy has been under two distinct and diverse forces of "Swadeshi," i.e., buy Indian goods and the need to integrate with the larger world economy. Both forces have significant economic and political implications in the region.

Liberalization of the Indian economy in the late 1980s and early 1990s also saw the reestablishment of transnational corporations on the Indian horizon. The Indian political and economic climate has been far from stable in the last decade, and it has been claimed that transnational corporations, to influence this unstable political and economic climate in their favor, have used the concept of corporate social responsibility as bait. It is worth mentioning that though the concept of corporate social responsibility is gaining popularity with the Indian business too, its practice has been under varied external and internal influences. Therefore the benefit or loss of the increase in numbers and reach of transnational corporations is open to debate in the Indian context.

The Indian economy seems to have come full circle in the last 78 years since the 1920s–1930s. It started as a highly privatized state in the pre-independence era: Under the banner of "Swadeshi," the public sector emerged strong in the early post-independence decades, yet under duress from the IMF and debt imbalances, privatization, and liberalization, foreign direct investment has been encouraged in the last decade. Thus, under international pressure, India, since the 1990s, has liberalized its economy in favor of the market. Many multinational and transnational firms have therefore since set up both marketing- and production-oriented operations in India.

In the newly liberalized Indian economy, transnational and multinational businesses have to deal with the issues of labor and environment and have also had to strategize to attract the Indian customer. The process has been designed primarily to reduce the foreign identity of these businesses and build an "Indian image" or, rather, reduce the "liability of foreignness." The situation is precarious for the international business, as the Indian political scenario is constantly changing and coalition governments are not stable. International businesses have therefore made strategic financial agreements with the Indian government, if asked to pull out from the Indian economy. The Indian companies, on the other hand, have also got to deal with foreign competition and yet project and yet project an "Indian image." Businesses both Indian and foreign therefore need to proactively deal with all stakeholders and project a positive image of stakeholder responsibility primarily to safeguard financial interest. Against this backdrop corporate social responsibility has been gaining currency in the Indian context and may have been adopted by business as a corporate strategy.

8.7.1 Rise of Corporate Social Responsibility in India: Internal and External Influences

Charity is an intrinsic part of the Indian culture and is encouraged as a means of salvation by most religions practiced in India. Charitable giving in the Indian business context is much like philanthropic donations of the British business where some causes are supported at random without any strategic planning. Corporate philanthropy is like charitable giving where "it is a voluntary activity on the part of business and is not normally part of its every day business functioning and is not restricted to monetary donations."

A type of corporate philanthropy was put into practice under the guise of industrial welfare by the industrial houses of the 1920s and 1930s. It was believed that industrial welfare could improve the living conditions of the workers more effectively than what was delivered by government agencies, primarily because workers were tied to the factory and could more effectively utilize facilities that remained underutilize under government provision.

The family-run businesses of the 1920s and 1930s, the Tatas, the Shriram Group, and the Birla Group, were actively involved in running and establishing schools, colleges, hospitals, temples, cultural centers and training centers, etc. Most of these infrastructural establishments are all well known today by the names of business that were instrumental in their establishment, for example, the Shriram College of Commerce; the Birla Mandir (temple), one of which exists in almost each major city of the country; and the Tata Institute of Fundamental Research. These infrastructural initiatives were instrumental in popularizing the identity of these companies. The initiatives were also essential as per independence and early post-independence India lacked advanced centers of research and education. The infrastructural initiatives and the economics reach of these business have made the Tatas, Birlas, and the Shrirams household names in the Indian context.

Tatas, one of the major business houses of India, though did exhibit shades of corporate social responsibility by proactively engaging with stakeholders even in the early 1960s. According to the founder of the Tata business group, J.R.D Tata, “Every company has a special continuing responsibility towards the people of the area in which it is located” (Partners in Change 1998:15). Tata business group, therefore, has a well-established community development program at most of its industrial sites. The community development initiatives though were not a norm for Indian business, and most businesses were primarily involved in corporate philanthropy and or philanthropic donations, and the most popular activities were “running schools and hospitals, donations to the poor…. Most companies were content donating money, something that didn’t require too much of involvement” or made a strategic gain (*Business World* 1998a:80).

Corporate philanthropy in India started to change, (though slightly) in favor of corporate social responsibility with the reemergence of transnational corporations on the Indian scene in the early 1990s. The transnational corporations planning to set up operations in India needed to develop an image, or rather, an “Indian identity” which the Indian customer could associate with. The need could also have been to proactively engage with media, pressure groups, and other stakeholders. This was specifically important in India, as experience had shown that ignoring any of these stakeholders was detrimental to the establishment of new bases of the transnational corporation media, pressure groups, civil society, and politically supported grassroot-level movements that have been instrumental in stalling establishment of new operations in India. Kentucky Fried Chicken was effectively stalled by pressure groups (Newspaper reports); the establishment of The Thapar-DuPont tire manufacturing plant in Goa was thwarted on grounds of poor planning for environment management, by local NGOs and pressure groups; the grassroot-level farmers movement has opposed signing of the GATT agreement by India.

Yet, very few businesses in the Indian context view corporate social responsibility as a “long term strategy to remain successful” (*Business World* 1998). The motivation of business has therefore been “to avoid backlash” (*Hindu Business Line* 1998). In recent times, though, the companies may not actively take part in philanthropic donations but much along charitable philosophy they want to “repay society” (*Business World* 1998). This attitude of “repaying society” is often put to practice via “social development” or “community development” (*Business World* 1998), and it is difficult to classify such activities as corporate social responsibility, as the mutuality factor either is not present or is not well articulated.

Foreign business, when competing with indigenous companies, may need to utilize corporate social responsibility as an effective strategy in attracting the indigenous customer For example, during a recent India-Pakistan cricket match (1998), Coca-Cola advertisement campaigns reveled in the Indian identity in India and the Pakistan identity in Pakistan. Contrarily, though in the Indian context ownership, country of origin and public image are not as important as value addition is in the Indian context; public image may not play such an important role as the Indian customer is more motivated by value for money than the public image of the business. For example, products manufactured by fair means and in an environmentally friendly mode of production are much more expensive. Agencies manufacturing these products are under constant pressure to improve marketing strategies as labels of “against animal testing”; “natural dies used” and “artisan initiatives” are not very effective as a selling point for the Indian customer.

International business may often need to lay stress on entry strategies that can tackle issues of competition from within and outside India, and corporate social responsibility may be one such entry strategy. International business operating in India, but with international marketing networks, has to be careful about the methods of production. The International customer is looking for more than mere cost-effectiveness. It has been claimed that the Indian customer is not as active as the international customer and is just starting “to take cue from western counterparts” (*Business World* 1998), though may be at a very slow pace.

During the 1990s corporate social responsibility gained currency internationally, rather, the investment in this sector changed from a perspective of donation to that of mutual benefit. Internationally, issues of environment and reputation and child labor are given more importance when evaluating performance against issues of corporate social responsibility. These international issues popularized by the transnational corporations, in the Indian context, have influenced business ethics of Indian business too. For example, the Century Mills has had to take concrete steps to be more environment friendly and efficient in utilization of resources. This has made the product competitive at the international level vis-à-vis cost of production, quality, and environmentally friendly methods of production. In general, Indian businesses abide by the rules and regulations of the state and consider this to be corporate social responsibility. This viewpoint, though, does not offer any security when dealing with the international customer. For example, the state does not have strict implementation of the child labor law in the carpet industry, yet the carpet industry is increasingly reducing number of children employed as per international trends and demands. Therefore the Indian industry is increasingly aware of the cancellation of consignments for the international market, on the ground of harmful dyes, environmentally harmful methods of production, and utilization of child labor for production. Against this backdrop Indian businesses having to complete within and outside India have had to take up issues of environment and reputation more seriously than ever before. Therefore the concept of "niche marketing" may not be important while targeting the Indian consumer but is of great value when targeting the international customer. To understand the rise of corporate social responsibility in the Indian context, it is important to understand the political and bureaucratic climate of the country since 1990. India, since the mid-1990s, is under constant political upheaval, and no single party has achieved absolute majority in the parliament. This has led to formation of coalition governments none of which have lasted a full term of 5 years, till date. Therefore, a highly cautious, nervous, and speculative investment climate exists in India as the "Swadeshi" fevor often sways the political parties. Due to the political instability, projected figures for foreign direct investment have not been achieved. Even approved proposals may be called for reinvestigation in parliament. Financial caution related to investment is exercised not only by international business but also by Indian business. The Indian business sector, though, has the advantage of being intimately familiar with the Indian situation and makes attempts to proactively engage with the bureaucracy and the political parties. Under strict implementation of election guidelines, corporate donation to political parties at times of election has reduced drastically, but business now undertakes activities supported by major political leaders or political parties to influence the bureaucracy and the political climate.

India has an extensive bureaucratic machinery, and, even after liberalization and reduction in "license raj" "rule of the license," each new industrial setup may require 70–90 clearances from local, state, and national government authorities, while the "Swadeshi" fervor creates a fear of "being asked to leave among the transnational corporations." In an unstable political and rigid bureaucratic setup, businesses have to use caution when dealing with government and political parties. Corporation social responsibility in a situation where dealing with the stakeholders is imperative for survival, and the stakeholder stance may change overnight under political considerations and is thus gaining ground in becoming an important corporate strategy for survival.

In the age of globalization, corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. In the last 20 years, the role of multinational corporations in defining the markets and consumers has been tremendous. The rules of corporate governance have changed. And there has been a range of reactions to this change. On the one hand, globalization and liberalization have provided a great opportunity for corporations to be globally competitive by expanding the production base and market share. On the other hand, the same situation discounted against multinational corporations in different parts of the world. Laborers, marginalized consumers, environmental activists, and social activities have protested against the unprecedented predominance of multinational corporations. The ongoing revolution in communication technology and the effectiveness of knowledge- based economics has created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability has paved the way for a new generation of business leaders concerned about the responses of the community and sustainability of the environment.

Corporate social responsibility (CSR) is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence. And new generation of corporations and the new-economy entrepreneurs created a tremendous amount of wealth in a relatively short span of time. Recognize the fact that social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run. From the eco-social perspective, corporate social responsibility is both a value and a strategy to ensure the sustainability of business. For the new generation of corporate leaders, optimization of profit is the key, rather than the maximization of profit. Hence there is a shift from accountability to shareholders to accountability to stakeholders. Companies through stakeholders can only achieve long-term business success because all the players like consumers, employees, affected communities, and shareholders have a right to know about corporations and their business. This brings forward the question of transparency in the organization.

The concept of corporate social responsibility has only recently been formulated, but it has a long history in both the East and West called social philanthropy. According to changes in nature of business, it can be divided in two areas: traditional corporate philanthropy where concern for the welfare of the immediate members of the corporate body like the staff and employees and their families and contributions by visionary business leaders, who build different institutions through individual shares, like some educational trust and women welfare.

Corporate social responsibility is a qualitatively different from the concept of the traditional concept of corporate philanthropy. It acknowledges the debt that the corporation owes to the community within which it operates, as stakeholders in corporate activity. It also defines the business corporation's partnership with social action groups in providing financial and other resources to support development plans, especially among disadvantaged communities. The emerging perspective on corporate social responsibility addresses stakeholder and more like people, plant and profit. Corporate focuses on them as the stakeholders, in a business, are not just the company's shareholders, sustainable development and economic sustainability, corporate profits to be analyzed in conjunction with social prosperity. Along with this, ethical business is more fundamental, emerging trend on the international scene. In an ethical business the essential thrust is on social values, and business is conducted in consonance with broader social values and the stakeholders' long-term interest.

Today it is an agenda of many CEO's. Now it is also on the agenda of governments, both national and local as well as NGO's, consumer groups, investor, and other actors in civil society.

8.7.2 Current Trend

Most business leaders would agree that they are managing in times of turbulence and accelerating change. They would also find a consensus about most of the trends and forces, which are challenging their traditional views of competitiveness and of the success factors for survival and profitability. Globalization of market stresses on consumer preference, supply chains and financial flows. Some business leaders consider globalization to be a revolution, not simply a trend, since it is having momentous effects on the economics of all countries and on corporations on most sectors. For increasing intensity of competition, Peter Veill used the expression "managing in while water" to express the challenge of meeting the turbulence and instability which global competition has created. There are few signs of ever returning to the comfortable 1970s. Rapid technology changes are transforming markets, alleviating burdensome tasks, enabling greater customization of production, and contributing to high labor displacement. Modern information technology makes it possible to decentralize decision making without losing "control" and to introduce more flexible and less hierarchical structures, meaning a shift from an industrial economy to a knowledge- and information-based economy. Human capital is replacing financial capital as the most important strategic resource. Traditional concepts of work, of jobs, and of motivation are being challenged.

Demographic changes do not create a mismatch between jobs and suitably trained workers and between present educational system and the needs of knowledge and information-based economy. Environmental challenges caused by pollution and resource depletion test the sustainability of our planet earth. Business leaders are called upon to play an important role in meeting these challenges. Changing value systems are finding expression in different life styles and expectations on the part of employees, customers, and communities as a whole. Tomorrow's company referred to this phenomenon as the "death of difference."

As the world business environment changes, so do the requirements for success and competitiveness. Because of the forces at work, building deep and more strategic relationships with customers, suppliers, employees, communities, and other stakeholders can become central to competitiveness and even survival. Building these relationships can from the foundation for a new, progressive, and people-centered corporate strategy, which attacks the sources – not the symptoms of challenges facing business today. This brings us to the increased importance of corporate social responsibility.

In Western Europe, Japan, and North America, an increasing numbers of companies are finding that it makes good business sense to fully integrate and needs of customers, employees, suppliers communities, and our planet – as well as to those of shareholders into corporate strategies. Over the long term, this approach can generate more profits and growth. Sometimes referred to as the "stakeholders" concept," it implies that management's task is to seek an optimum balance in responding to the diverse needs of the various interest groups and constituencies affected by its decisions, that is, by those that have a "stake" in the business. By including societal actors – not just financial interest – the stakeholder model assumes that enterprise has a social responsibility.

It has no actual definition. Each company responds in its own unique way, depending upon its core competencies and stakeholders interests. Country and cultural traditions also influence how companies respond. Social responsibility is fundamentally a philosophy or a vision about the relationship of business and society.

In India CSR is known from ancient time as social duty or charity which through different ages changing its nature in broader aspect, now generally known as corporate social responsibility. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. Over the time we found four types of thinking regarding corporate responsibility.

The first is the ethical one where there is voluntary commitment to public welfare. In India, it has its roots in the Gandhian philosophy of trusteeship.

The second model is of state-owned public sector undertakings (PSUs). They provide housing and schools to workers. They have existed in India since 1947.

The third is the liberal approach where the belief is that the free market could take care of corporate responsibility. Since the late 1980s and 1990s, there has been increasing realization that business is a social responsibility. This has come about through public campaigns and pressure on the shareholders. The fourth is the stakeholder's model. Corporate responsibility now means ethical and environment-friendly practices. Companies are expected to stick to the triple bottom line of economic, social, and environmental responsibility towards workers, the shareholders, and the community.

India has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Philanthropy is practice of doing well to one's fellow men. It is not a relationship – therefore corporate philanthropy often does not have stakeholder's interaction and responsibility as a focus, unlike corporate social responsibility. Corporate social responsibility on the other hand is under take by the company not along charitable lines or with the "intent to do good" but also building of a good public image. It is transnational corporations under global ideological influence and the need to engage with all stakeholders that introduce the concept of corporate social responsibility on to the Indian horizon. This process began only in the 1800s. The concept is not similar to corporate philanthropy, as corporate social responsibility lays stress on stakeholder's involvement and on clear articulation of the mutuality of benefit. Thus corporate social responsibility is a corporate strategy for survival and not undertaken for the mere "feel good factor."

The concept of corporate social responsibility gained global prominence in the last 10 or 15 years. The rise of corporate social responsibility can be attributed to the process of globalization and to the increase in the reach of transnational corporations. Under the wake of globalization, the reach and numbers of the transnational corporations have increased, and new channels of production, labor, and marketing have been established across the world. Transnational corporations now increasingly deal with multicultural and multi-regulatory environments while customers on the other hand are increasingly aware and conscious about the means and methods of production and demand more than "value for money" while making product choices. Corporate social responsibility therefore to deal with different stakeholders builds a positive public image and meets customer demands.

Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Merchant charity took various forms, such as treasury chests for the needy, providing relief in times of famine or floods; provision of drinking water; building temples, water tanks, wells, and ponds; and supporting schools. Merchants gave for charity both individually and collectively through their business and social organization.

At individual level they gave alms to the poor and needy, arranged for their feeding, set up *pathshalas* (traditional schools), constructed night shelters for the poor and travelers, built water tanks and *bathing ghats* (where people took bath), made provision for drinking water during summer, opened their granaries in times of famine, commissioned artists to prepare religious texts and other works of art for temples, provided for dowries and marriage expenses of poor girls, and so on.

In collective charity a group of families, streets of people, or all the inhabitants of the town would collect voluntary offerings and present them according to need, like for the health, sanitation, education, and general welfare of the people in their community. There was a strong tradition of charity in almost all the business communities of India. Tradition of merchant's charity has continued down the ages, even to present times, where it is still visible among individual businessmen and the unorganized sector.

The arrival of the East India Company in 1620 was a milestone in the history of trade and of sociopolitics in India. Over the subsequent 200 years, the purely trade and business interest of the East India Company changed to social and political management of the country by company executives until 1885, when India came under the British crown.

The business leaders of emerging indigenous industry remained rooted in the tradition of philanthropy, which gradually metamorphosed into corporate social responsibility. The period 1850 to early 1900 is noted for setting up of trusts and endowment by founders of business families to support schools, colleges, hospitals, orphanages, and the promotion of art and culture. By the third decade of the nineteenth century, merchant charity began to change from being largely religious and ameliorative in nature and confined to members of their own community, caste, or religion towards being more secular and more inclusive in terms of caste, creed, and community and more oriented to bringing progress to society through western-style modern institutions. Though the more enlightened merchants began to diversify their charitable giving in content and intent, they continued the older forms of gifting as well. Many did not change at also that there was a mix of charity and philanthropy throughout the period.

After independence, the need for repaid progress on the part of government, people, and the business community acted as spur for business to contribute more to social development as business leaders engaged themselves and their business in social welfare and reform. The emphasis was on vocational and technical training, public health, power and water supply, and the Gandhian social reform movements.

8.7.3 Business Houses in India

At the time when money making was all important, Kasturbhai stressed the need for moral leadership and social responsibility. Speaking at the Indian Merchants chamber in 1963, he said: Industry and trade have to discharge many responsibilities to the community. They should provide support – moral, personal, and financial – to institutions or cause, which make their towns and villages better for living and which are intimately connected without spiritual heritage. We should advertise what we produce and sell but, in doing so, also convince the public that free enterprise exists to serve the community by improving social and economic standards. We should provide leadership to the community.

JRD Tata always laid a great deal of emphasis to go beyond conducting themselves as honest citizens. He pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that, "Apart from the obvious one of donating funds to good causes which has been their normal practice for years, they could, as some of the companies with which I am connected have done, use their own financial, managerial and human resourced to provide task forces for undertaking direct relief and reconstruction measures. This form of public community service could be expanded by the cooperative effort among members of various industries."

In his advocacy of responsibility, JRD was joined by Ramakrishna Bajaj who's devotion to Gandhian ideals regarding fair business practices and philanthropy. He said, "The business community is an essential ingredient of our democratic society and it has a duty not only to create wealth but also to promote the ethical and social goals of the community. Unless it fulfils both these functions and thereby plays its due role as a responsible section, it will not be able to ensure its own survuval."

Arvind Mafatlal, chairman of Mafatlal Industries, also pleaded for more social responsibility on the part of business but pointed out that it was large concept than philanthropy and went beyond giving funds to more normative issues such as self-discipline, quality control of consumer of vulgar display of wealth, and ostentations consumption. Unless the business community contributed to basic development needs, its very survival would be threatened, and it was in its own interest to participate in the nation-building effort. Pointing out the need for industry to contribute more to community development, JRD said, "In every village, large or small there is always need for improvement, for help, for relief, for leadership and for guidance. I suggest that the most significant contribution organized industry can make is by identifying itself with the life and the problems of the people of the community to which it belongs and also by applying its resources, skills and talents to the extent that it can reasonably spare them, to serve and help them."

The cumulative result of all these influences was distinctly visible in the action of many business houses. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs of economic development if it wished to share in its fruits. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change now was that industry-accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron, and Steel Company was started in the concepts of "social responsibility." So on, many other companies have taken up.

The last decades of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development. Most corporate houses have been contributing to social cause largely through their own trusts, foundations, and societies. Some of these were set up long before India achieved independence. Today there are over 200,000 private sector trusts in India, a large number of which have been set up by business. A survey in 1997 conducted by the Social and Rural Research Bureau of 650 randomly selected companies from top 2,000 (of there, 13 % were MNCs) revealed that most CEOs acknowledge the companies have a social responsibility, only 36 % reported some sort of policy, of them only some had policy and person in charge. Nearly 81 % provided an account of various activities of corporate social responsibility on India.

Infosys Ltd., another IT company, has set up Infosys Foundation to help older people, destitute, handicapped, deserving students, and budding artists, promoting medical care for children and women and senior citizens suffering from cancer or brain fever.[9] It has donated surgical equipment and ultrasound scanners to several hospitals in Karnataka. The foundation has also been involved in related causes like reconstructions of old school buildings, construction of additional classrooms, and donations for schools and corpus founds. It has also set up a science center in the Kolar district of Karnataka and floated scholarship for rural students in Karnataka, Orissa, Maharashtra, and Tamil Nadu. Free girls hostels and orphanages have also been set up by the foundation in several parts of Karnataka.[10]

Ranbaxy an Indian MNC,[11] in the pharmaceutical sector, set up Ranbaxy rural development trust to provide basic healthcare to the underprivileged through mobile healthcare that reaches out the needy in villages and slums. Ranbaxy community healthcare society provides preventative healthcare, social communication immunization, family planning, and contraceptive distribution, along with this Ranbaxy Research Foundation that promotes scientific and medical research.

The Mahindra[12] group of companies encourages education of employee's children by running schools at plant sites. It also supports education for all at all levels by providing studentship, loans, and scholarships for research students studying overseas, rehabilitation of disabled children, distribution of free books to children in slum and rural areas, and the endowment of the chair for research in nuclear sciences and journalism. The Mahindra Education Trust supports primary education for female children through various NGOs and provides relief work at time of natural disasters and care for cancer patients.

Reliance Ltd.,[13] an Indian petrochemical MNC, has been supporting rural development work, modern healthcare facilities in rural areas, and scholarship for rural children for higher education in cities and laying of water pipelines in Jamnagar to improve access to drinking water. Rural development and social work begins with the focus in on health, hygiene, and education. The company also provides relief and rehabilitation at times of cyclones, medical care, and mobile healthcare for villagers. Reliance also is the main corporate promoter of the Hyderabad-based Indian School of Business, which has been set up in Academic Association with the Wharton and Kellogg Schools in the USA.

National Thermal Power Corporation believes in growth with a human face and pursuing people-centered development. NTPC is a socially committed organization and a socially responsible corporate citizen. It attaches great importance to discharging its overall social responsibilities to the community and the society at large where its projects and stations are located. Sensitive to the social issues since its inception, the organization framed guidelines for the facilities to be given to the project affected. In this regard, resettlement and rehabilitation program was formulated in 1991 and revised in May 1993.

The resettlement and rehabilitation program aims at improving the overall economic status of Project Affected Persons (PAP). This is achieved by providing opportunities in the fields of sustainable income, health, education, sanitation, communication, and other such areas. Community development activities are carried out in a transparent and participative manner. Each program is based on the specific local requirement and guided by the extensive socio-economic surveys, which verify that Project Affected Persons improve or at least regain their previous standard of living. The PAP are systematically categorized on the basis like the following: in resettlement – *development alternate free house plot in resettlement colony with necessary infrastructure facilities; free transport arrangement for belongings and reusable material; and infrastructure to be provided that includes primary school, dispensary, panchayat ghar, drinking water, well, hand pumps, roads, drainage, and sulabh sauchalaya – and in rehabilitation, land for land and self-employment such a dairy, poultry, handcraft, shops, and award of petty contracts and jobs.*

The rehabilitation plans rest on the sound foundation of socio-economic surveys. Independent and reputed professional institutes conduct these surveys. Surveys help assess the information on each PAP and chalk out the Rehabilitation Action Plan (RAP); RAPs are prepared for new expansion and green field projects coming after adoption of May 1993 policy. The plans are finalized in a consultative manner with the PAPs and the state administration and soon they translate into viable projects. The plans primarily aim at resetting PAPs in resettlement colonies, providing them infrastructure facilities and also ways and means of rehabilitation. It has been finalized for 11 projects implemented after the adoption of May 1993 policy. They are:

1. *Kayamkulam*
2. *Talcher*
3. *Vindhyachal ash dyke*
4. *Korba ash dyke*
5. *Rihand ash dyke*
6. *Faridabad*
7. *Simhadri*
8. *Unchahar-II*

9. *Sipat*
10. *Anta-II*
11. *Auraiya-II*

While some RAP has been completed and closed in May 2001 to December 2001. Other RAPs are in various stages of implementation.

Recognizing the importance of sound institutional framework to achieve the desired results NTPC has set up dedicated R&R cells. Along with them professional NGOs, consultants also involved, encouragement has been given for the formation of informal groups, employees, and their families, service groups for the socio-economic development of the areas (information got from NTPC's official website).

Haldia Petrochemical Ltd is India's largest integrated naphtha-based petrochemical complex. The company has achieved sustainable and profitable growth through delivery of innovative world-class products and services of exceptional value to customers. They also care for their customers, care for each other, and care for the community and environment. They take pride in the quality of their products and services and business ethics, to create outstanding value for their shareholders and customers. Regarding corporate social responsibility, their focus areas are:

1. Social welfare
2. Community development
3. Environment
4. Occupational health and safety
5. Water management

In the field of social welfare, mass wedding takes place in association with NGO's, Haldia Utsav, (letting creativities flow), Haldia network (putting Haldia on the cultural roadmap) patronizing the local deaf and dumb school and blind school. Rehabilitation of evictees, maintaing roads, electricity, conserving water bodies, green belt, providing donations to local schools, distributing computers, and school bags are some of the major highlights of the events.

In community development, skills development with the assistance of Lokshiksha Parishad, flood relief, medical aid. Financial assistance for local and national sports and cultural events. Posters and drawing contests involving school children of Calcutta theme being "stop littering start recycling" look forward to a dirt-free environment-friendly Calcutta. OHS-gaseous emissions minimized with most modern state of the art technology from world-renowned licensors.

Health and safety awareness program. Managing Water resource from Rainwater harvesting, domestic use, and minor irrigation.[14]

Dr. Reddy's Laboratories in Hyderabad, Andhra Pradesh, is an emerging global pharmaceutical company focused on creating and delivering innovative healthcare solutions that enable people to lead healthier lives. Dr. Reddy's main focus areas are in education, eliminating child labor and livelihood development. Regarding this Dr. Reddy's Foundation for human and social development was established. The foundation is headed by an executive director and ably supported project officers and Research I from Dr. Reddy's lab, UNICEF, and UNDP.

Their Child and Police (CAP) project is a unique and innovative joint program of Andhra Pradesh state and Dr. Reddy's foundation for human and social development. The project's vision is to identify and work with children at risk and put them through enriched quality school education and a sustainable livelihood education program that will enable them to fight illiteracy, ill health, and poverty. Members of the CAP team visit slums and factories, conducting street-by-street surveys to identify and rehabilitate economically disadvantaged children. Families are then convinced to send their children to the foundation's Bridge school, where they are put through child-friendly syllabi; 4–8 months later, depending on the age and prior literacy level, they are integrated into the mainstream public education system. Police participation greatly enhances the CAP project in its efforts to get children off the streets and on to a better life.

The livelihood advancement business schools (LABS) are to provide young adults from economically weak backgrounds an opportunity to assimilate into the competitive job market. LABS target youth at risk on and off the street from the economically weakest category and offer formal education, career counseling, personality development, and skill development and apprenticeship opportunities for sustainable livelihoods.

Besides these two projects, another program named Tulasi. It is aiming to create models, which can be replicated regarding any of these activities (CAP and LABS).[15]

The guiding principles for social responsibility in the Tata group evolve from its rich heritage and traditions of trusteeship as a way to redistribute the wealth created by the industrial society kept aside exclusively for the benefit of people at large. Building on, they also increasingly recognize that in modern industrial organizations, the connotation of wealth goes beyond the money donated to charitable cause. "The company shall have among its objectives the promotion and growth of the national economy through increased productivity, effective utilization of material and manpower, resources, and continued techniques in keeping with the national aspiration, and the company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community" by J. R. D. Tata to be adopted by the board of Tata companies to reinforce their commitment to social responsibilities made on December 14, 1999 the following way.

The community is central to the core values we adhere to in the Tata group. Tata community programs aim at building trust and improving the quality of life. Tata programs facilitate sustainable change. We believe that community gives us valuable opportunities to learn. Commitment to social responsibility is explicit in every Tata Company. We network through our core competence to empower communities. Tata volunteers are committed to the spirit of service.

> Community development is a well understood objective and important cornerstone of the TATA business philosophy. In fact, it is key element in the TATA business Excellence Model. Therefore, it is incumbent on every Tata Company's management to consider it to be an essential component of its strategic plan towards achieving the company's and the group's objectives. The strategy that each company evolves, needs to be focused on the real needs of the communities in which the company operates and which it seeks to serve. There needs to be a dovetailing of the skills and strengths of the company and its employees with

> the immediate and longer-term gaps in the overall development of these communities- be they in the field of education, health, environment, civic amenities, infrastructure, family planning, vocational skills etc. Essentially one has to ensure that the strategic economic well being of the community is brought about expeditiously. Our founder's humanitarian objectives of over a century ago need to become strategic to the group today.[16]

1. Senior management involved in social programs.
2. Provide facility and support from the company.
3. Volunteers share their skills and competency.
4. Strengthen and work along with community-based organization.
5. Networking to raise funds and resources.

Company takes feedback from the media, government, NGO's special agencies, and surveying the perception of people.

Social expenditure of Tata companies: 1999–2002

Vocational training	12 crore	
Education	25 crore	
Computer education	10 crore	
Pure funding	40 crore	
Health	28 crore	
Women and child	8 crore	
Water management	13 crore	
	Total	136 crore

8.7.4 Review of Indian Experience in Corporate Governance

Basel committee norms relate only to commercial banks and financial institutions. Banking and financial institutions stand to benefit only if corporate governance is accepted universally by industry and business, with whom banks and financial institutions have to interact and deal. SEBI report only partially attends to this need. SEBI is a functional statutory body, and it can prescribe regulations only within its functions.

Kumar Mangalam Committee confined itself to submitting recommendations for good Corporate Governance and left it to SEBI to decide on the penalty provisions for noncompliance. In the absence of suitable penalty provisions, it would be difficult to establish good corporate governance. Some of the penalty provisions are not sufficient enough to discipline the corporates. For example, the penalty for noncompliance of the stipulated minimum of 50 % in respect of the number of directors in the board that should be nonexecutive directors is delisting of shares of the company. This would hardly serve the purpose. In fact, this would be detrimental to the interest of the investors and to the effective functioning of the capital market.

Similarly, an audit committee, which is subservient to the board, may serve no purpose at all; and one which is in perpetual conflict with the board may result in stalemates to the detriment of the company. If a company is to function smoothly, it should be made clear that the findings and recommendations of the audit committee need not necessarily have to be accepted by the board which is accountable to the shareholders for its performance and which, under Section 291 of the Companies Act, is entitled to "exercise all such powers, and do all such things as the company is authorized to exercise and do."

However, some functional specialists are of the considered view that whenever there is a difference of opinion and the audit committee's advice is ignored or overruled, the board should be required to place the facts before the general body of shareholders at their next meeting.

Apart from these issues, there is another area, which needs to be attended to for bringing about further improvements in corporate governance in India. One such area is the accounting standards. There are some gaps in accounting standards, which need to be closed or narrowed down for better transparency.

One of the first and foremost demands of good corporate governance is to let investors know how their money has been used to further the interests of the company they have invested in.

The question that assumes importance here is how effectively the resources of the company are utilized for strengthening the organization. The only available source of information regarding the affairs of a company appears to be its balance sheet. Yet, for obvious reasons, the Balance Sheet remains the most abused statement of several companies.

The common methods by which companies hide their wrongful practices, which are all too well known, are to use legal and accounting jargon, nondisclosure, and selective adoption of only those policies that are mandatory in nature. It is only a handful of qualified persons, primarily the accountants and the other knowledgeable people, who can get to the picture behind the scenes and unmask the actual from the portrayed picture. It is in this context that the adoption of US-GAAP, which provides for rigorous accounting standards and disclosures, assumes relevance.

There are many areas such as consolidation of accounts, treatment of fixed assets, depreciation, and R&D costs where Indian Accounting Standards (IAS) are at variance with US-GAAP. However, it is heartening to note that things appear to be changing for the better on the Indian turf; thanks to the impetus towards a more transparent accounting system shown by market leaders. Recently, the Institute of Chartered Accountants of India (ICAI) issued the Accounting Standard 21 (AS-21) for consolidation of accounts whereby accounts of companies will be presented along with those of their subsidiaries. This would meet the long pending demand of investors on greater transparency and disclosure.

The need for transparency, so far, appears to have been felt in the context of public sector alone. Consequently, we have on the anvil the Right to Information Act and a modification of the Official Secrets Act. While, there is no doubt the government has to be completely transparent in its dealings, since it is dealing with public money, privately managed companies also have a wide shareholder base. They are also dealing with large volumes of public money. The need for transparency in private sector is, therefore, in no way less important than in the Public Sector.

However, private companies use "competitive advantage/company interests" as a pretext to hide essential information. Awarding of contracts, recruitments, and transfer pricing (for instance, through under/over-invoicing of goods in intracompany transfers) are the areas, which require greater transparency. Environmental conservation, redressal of customer complaints, and use of company resources for personal purposes are some of the other crucial areas, which call for greater disclosure. Relevant details about these must be available for public scrutiny. Fear of public scrutiny, as you will agree, will ensure corporate governance on sound principles both in the public and private sectors.

8.7.5 Ethics and Values in Corporate Governance

No discussion on public affairs will be complete without a reference to ethics and values. The quality of corporate governance is also determined by the manner in which top management, particularly the board of directors, allocates the financial resources of the company as between themselves and other interest groups such as employees, customers, and government. The basic qualities invariably expected in this regard are trust, honesty, integrity, transparency, and compliance with the laws of the land. There is an increasing body of public opinion that would expect a business enterprise not only to be a mere economic unit but also to be a good corporate citizen. For this, its corporate governance must be based on a genuine respect for business ethics and values.

8.7.6 Recent Developments

The Department of Company Affairs, in May 2000, invited a group of leading industrialists, professionals, and academics to study and recommend measures to enhance corporate excellence in India. The Study Group in turn set up a task force, which examined the subject of corporate excellence through sound corporate governance and submitted its report in November 2000. The task force in its recommendations identified two classifications, namely, essential and desirable with former to be introduced immediately by legislation and latter to be left to the discretion of companies and their shareholders. Some of the recommendations of the task force include:

1. Greater role and influence for nonexecutive independent directors
2. Stringent punishment for executive directors for failing to comply with listing and other requirements
3. Limitation on the nature and number of directorship of managing and whole-time directors
4. Proper disclosure to the shareholders and investing community

5. Interested shareholders to abstain from voting on specified matters
6. More meaningful and transparent accounting and reporting
7. Tougher listing and compliance regimen through a centralized national listing authority
8. Highest and toughest standards of corporate governance for listed companies
9. A code of public behavior for public sector units
10. Setting up of a Center for Corporate Excellence

Recently, the Government has announced the proposal for setting up the Center for Corporate Excellence under the aegis of the Department of Company Affairs as an independent and autonomous body as recommended by the Study Group. The Center would undertake research on Corporate Governance, provide a scheme by which companies could rate themselves in terms of their corporate governance performance, and promote corporate governance through certifying companies who practice acceptable standards of corporate governance and by instituting annual awards for outstanding performance in this area. Government's initiative in promoting corporate excellence in the country by setting up such a center is indeed a very important step in the right direction. It is likely to spread greater awareness among the corporate sector regarding matters relating to good corporate governance motivating them to seek accreditation from this body. Cumulative effect of the companies achieving levels of corporate excellence would undoubtedly be visible in the form of much enhanced competitive strength of our country in the global market for goods and services.

Impelled on these objectives on August 21, 2002, the Department of Company Affairs (DCA) under the Ministry of Finance and Company Affairs appointed a High-Level Committee, under the chairmanship of Naresh Chandra, former cabinet secretary "to examine the auditor-company relationship, role of independent directors, disciplinary mechanism over auditors in the light of irregularities committed by companies in India and abroad." The Committee has already submitted its report and currently under consideration of the Finance Ministry, of which DCA is a part. The Department of Company Affairs is also proposing, as stated earlier, to set up a National Foundation for Corporate Governance in collaboration with industry associations – CII, FICCI, and ASSOCHAM and with professional Institutes ICAI and ICSI – to spread the culture of good corporate governance in the country.

The time for unmotivated philanthropy seems to be coming to an end in the Indian context, and the usage of the term "corporate social responsibility" is gaining currency since the 1990s. It needs to be mentioned that progressively businesses keen on corporate social responsibility also want "some visible benefits" (*Business World* 1998) identifying with the issue of "mutuality" of corporate social responsibility. Therefore well-established business also may have a well-established strategy of "corporate social responsibility" to (a) effectively deal with the instability of the Indian politico-economic climate, (b) proactively deal with all the other stakeholders, and (c) meet the demands of international customer especially as regards to labor and environment.

The success of the acceptance of these norms has been outside the letter of law, and the adoption has often influenced state to adopt better/improved or at least changed role for itself. The norms of resettlement and rehabilitation as dictated by the Indian state are by law adopted by joint venture companies involved in extractive industries, yet many other activities are also undertaken as corporate social responsibility, which are neither detailed nor dictated by law. Growth of civil society organizations has also led to increasing democratization in the marginalized and impoverished communities creating local responses to the grant meta-narratives. Yet nation-state needs to evolve a new role for itself in this fast changing world. A stable nation providing good governance is thus basic requirement for developing countries in their attempt to safe guard rights and interests of their poor and marginalized.

Yet, the business is wary of investing time and resources in proactively dealing with pressure groups, media, and local people for social or community development as they often lack familiarity and the skills to do so (*Business World* 1998). Indian business has been actively involved in corporate philanthropy since the early 1900s. The charitable outlook of Indian businesses is progressively undergoing change under some external and internal influences. The increase in the momentum of corporate social responsibility has created new routes or avenues via which issues of corporate social responsibility are put to practice.

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