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Socio-Historical Analysis of Corporate Social Responsibility in India with Case Studies

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Abstract: ***Corporate Social Responsibility, as we know it, is a product of a nascent legislation which makes it mandatory, under Section 135 of the Companies Act, 2013, for companies turning a profit over a certain threshold to publish and maintain a CSR report constituted by a Board. This obligation is not merely a statutory one but rather a sociological one, too. While the country develops and upgrades to unfathomable limits, there remains a sizeable population of people who need help and assistance to have their basic constitutional right to a dignified life.***

It shall not only be a matter of privilege or that of altruistic individual donations to ensure that everyone has the basic facets of education, household, clean water, and a meal. The involvement of the highest earners in this society, the corporations, into the bracket of social responsibility serves a dual function. It helps in the easing of inequalities as well as preventing the large companies from dealing in cronyism or despotic means. State intervention in the workings of companies is not always antithetical to the capitalistic tendencies, rather this becomes an instance of India's determination to realise its welfare-model and propel the nation towards a neo-capitalistic world. This paper aims to look at the aforementioned themes from a socio historical as well as empirical lenses.

Keyword: Corporate Social Responsibility, Need of Society, Role of Governmnet

I. A BRIEF GLOBAL HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

Benjamin Franklin had once said, "It takes many good deeds to build a good reputation, and only one bad one to lose it." In today's world of rapid growth, crony capitalism, and unending greed, those words ring truer than ever. The effect that our trade and production have on the society, its members and the wider environmental footprint was something that neither had and representation in the bottom line of companies' annual statements nor any concern in the quest of ballooning the profits. Corporate Social Responsibility (CSR) levies a duty on the companies, around the world, to not be an anomaly in the global movement toward sustainability and ethical growth. It seeks to include and induce corporations to lead the path towards change and a much better future.[1]

As with all historical analyses, the formative point of consideration is the origin of the subject. CSR, as we understand it today, emerged as a product of the neo-industrial revolution and resurgence of labour force in the 1950s and 60s. However, there have been traces of CSR going back thousands of years Before Common Era (BCE).

It was in 2250 BCE that the Code of Hammurabi was drafted and whilst this was much to do with the business rates and regulating the merchants of the State, a particular provision mentioned thus:

"If a wine merchant allows riotous men to assemble in his house and does not expel them, he shall be put to death." This shows a liability on the part of the owners of corporations going back millennia. The same essence has been brought forth to the modern time with some great epochs of world history often changing and defining the course of what constitutes as CSR.[2]

Social Responsibility peaked in the Industrial Era when factories, industries, and warehouses saw a magnanimous boom in the workforce participation and employment. This necessitated a move toward forming the basis of CSR.

During this time, an entrepreneur and social activist Robert Owen (1771-1858) demanded a slew of just and humane working conditions for the large workforce. Although these recommendations were not readily accepted, it does form the fundamental building block of what would later become the CSR as we know it. Mr. Owen had said:

"Humane conditions within the factory, decent circumstances of housing and living, provision for the education of the community's children were all woven into the seamless web of a healthy and productive society."

[1] Avtar Singh; 'Compnay Law An Introduction' EBC PublicationEdn.2022
[2] G.K.Kapoor 'Company Law' Taxman Publication Edn2024

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In the 1950s and 60s, the world order had shifted from that of war-stricken nations to a rapidly growing and developing set of economies. This led to the duality of increase in corporations and also the maximization of profit and greed by indulging in immoral, illegal or indecent practices where forming large conglomerates of dozens of companies owned by a single person trouncing any semblance of competition required for equitable growth and forming cartels to hike up the price of products were seen as everyday practices and nothing out of the blue. This analysis, amongst many other moralistic questions of the era, was done by Richard Eels in his book which surmised that the large corporations of the time were not living up to their responsibility in a time of generalized inflation.

The modernity of CSR was first formulated with the rise of multi-national companies and internationalization of this Social Responsibility traversing all borders and jurisdictions. It is said that it was during this decade that most companies woke up to the stark realization of their corporate demands and duties and were met with the challenge of keeping profits afloat in an ethical and more reasonable manner. These multi-national companies, owing to the rise of liberal conservatism, saw their economic activities profoundly gain reputation even in such areas which historically saw weak regulations and no harbingers of social responsibility.

This led to the first global corporate convention of 51 global companies which was named as Business for Social Responsibility (BSR) with the aim of "force for positive social change- force that would preserve and restore natural resources, ensure human dignity and fairness, and operate transparently."

II. THE INDIAN HISTORY OF THE CORPORATE SOCIAL RESPONSIBILITY

India has been no stranger to the global history of CSR, rather has partook in a system like the modern-day CSR for centuries. As was the practice with regards to most activities during pre-historic times, religion played a pivotal role in the early days of corporations' existence. The entrenched and intrinsic values natural to all Hindus, at that time, were of attaining *Moksha* through *Daan and Seva.* The words can loosely be translated to charity and service, and this extended to a populace far larger than just the practicing Hindus or the religious heads. Every single person who owned a land or carried out a trade in their own name were expected to partake in this philanthropy. The basis of CSR can be thus traced back in India to the Vedic Era and has since been more of a moral and ethical duty than a legal necessity.

This philosophical approach to CSR in the Ancient Period was much more than a mere formality, it ensured that the business leaders of the time— those with trade and commerical powers— were liable to ensure that they abide by their duties towards the community and society which helped them grow and prosper. This, therefore, reduces most instances of economic despotism, cronyism and commercial cartels being formed.

However, with the changing time and landscape of world order, the philosophical model became far too lenient and ineffective to enable even a semblance of stringent regulation and recognition of the need to do good on the unwritten yet profoundly effective Social Responsibilities of the corporations and organisations. The arrival of the British following the establishment and profiteering of the first multi-national company, the East India Company, ensured that the Indian context and understanding of CSR moved from the religious philanthropic model to a non-conformist and democratic arrangement.

In 1953, Howard Rothmann Bowen, an American economist, defined CSR for the first time.

According to him, CSR may be defined as:

"It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

In 2009, the Indian government introduced voluntary guidelines that required companies to establish CSR policies, allocate specific amounts for CSR expenditure and disseminate information to stakeholders. In 2011, the Ministry of Corporate Affairs released the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. This was a significant step towards mainstreaming the concept of business responsibilities as it was based on India's socio-cultural context and priorities as well as global best practices. This was finalised after extensive consultations with business, academia, civil society organisations and the government.[3]

This led to the Amendment in the Companies Act, 2013 and the introduction of Section 135(5) which made it mandatory for every company having a net worth of Rs 500 Crores or more; or turnover of Rs 1000 Crores or more; or a net profit of Rs 5 Crores or more during any financial year to publish, maintain, and abide by their Corporate Social Responsibility Committee of the Board consisting of three or more directors, of whom at least one should be an independent director. The Board is, therefore, mandated to disclose the composition of the Committee in its report.

[3] Dr. T. Padma 'The Principles Of Company Law' ALT Publication Edn.2024

III. THE BENEFITS OF CSR, AS VIEWED THROUGH THE EMPIRICAL LENS

To fully grasp the effect of CSR on the community and realise the statutory liabilities of the companies which are both eligible and liable to maintain and publish CSR data, an empirical analysis is required. This analysis will largely be comparative as it will aim to study the the progress of CSR over the years. While the Act was amended years ago, the full effect of the provision was felt in the relatively recent years. The most challenging aspect was to ensure that the statute is being abided by and not misused. Several companies could easily forego their liabilities by tweaking the numbers that proved their eligibility. However, over the years the duty and obligation to act responsibly became more streamlined and a pattern emerged, two of which are discussed and illustrated below. [4]

IV. ILLUSTRATIONS OF CSR CASE STUDIES IN INDIA

Over the years, several Indian companies have risen to the realisation that there is a fast growing need of having CSR initiatives around and amongst different sectors in India owing to its challenges and issues faced by the common people. Many companies, as the previous Figure showed, drove through sizeable chunks of money and helped out the people to provide them basic education, or full meals every day, or access to professional and inexpensive healthcare, or better environment by investing in technologies that propelled a greener world, or an array of various means that brought better results than what was initially seen in the nascent years after the legislation.

A. Tata Consultancy Services (TCS)

TCS is a global Indian corporation that offers business solutions, BPO services, and IT services. With a solid track record in the past, it is positioned for rapid expansion both in India and internationally in the future. The idea of the Tata Group aims to create powerful, sustainable businesses that show a commitment to the environment that is deeply ingrained in society. As a member of Tata Group, TCS is dedicated to serve the local community and its surroundings. It stands for creating dependable, environmentally conscious companies that are based in the community. It's always acknowledged the responsible behaviour towards the larger community in which they operate.

TCS has contributed heavily and has always sought to have a diverse range of sectors roped in under their CSR statements each Financial Year. TCS uses its position of prominence in the IT industry to operate creative programmes that tackle the community's problems with access to education and skill development. BPS Employability Training, a 100-hour program that has so far given a well-rounded education to over 66,000 children from marginalised communities, and IT Employability Training, which has taught nearly 2,400 students from rural engineering and science colleges technical and managerial skills as well as general aptitude, are two of its solutions in the skilling field.

It is geared toward reducing the risks associated with climate change through responsible resource management and doing more with less. During the year, the TCS Energy Management programme experienced significant scaling up and further maturation. In India, the programme now includes approximately 135 sites.

ICS was one of the first companies in the IT industry to get international standard, ISO 14001 (EMS).

B. Havells India's Mid-Day Meal Program

In order to have a thriving country, there must not be any child who goes to sleep without a morsel of food in them. Hunger hinders progress and prevents the mind and the body from functioning well. Havells India has lit up millions of households in the country and their CSR initiative revolved around ensuring that privilege is no barometer to be fed and nourished. Having started this program much before CSR guidelines came in effect, it has received global appreciation and goes beyond a mere statutory obligation becoming a humanitarian behemoth.

The program began with coverage of 1,500 students. In 2015, ten years since inception, the Havells Mid-Day meal scheme caters to over 58,000 students from 688 schools every day in the Alwar region of Rajasthan. Havells has employed a dedicated staff of about 160 people including cooks, helpers, drivers and distributors to ensure timeliness, quality and hassle free provision of meals every day. The program uses proper government approved diet charts that are used as guides to prepare weekly menus to suit the tastes and nutritional requirements of children.

[4] R.K.Bangia 'Company Law' Allahabad Law Agency Edn.2023

C. Bharat Petroleum Corporation Ltd. (BPCL)

Bharat Petroleum Corporation Limited (BPCL) is India's second largest oil company in terms of market share and is ranked two-hundred and eighty-ninth among the Global Fortune
500 Companies. The erstwhile Burmah Shell Oil Storage & Distribution Company was taken over by the Government of India on24 January 1976 and was rechristened as 'Bharat Petroleum Corporation Ltd'. BPCL has focused on the refining, processing and distribution of petroleum and petroleum products and has been a front-runner in the alternate fuels segment.
It was the first company to process the newly found indigenous crude at Bombay High.
BPCL took a different view than most with regards to CSR initiatives and set up one of the biggest PSU-led clean water programmes with an aim to ensure that water bodies in India are not continually polluted due to the ever-increasing disposal of effluents by factories, climate change, plastic, etc. this project, aptly titled, BOOND has now converted more than 230 villages in the six states of Maharashtra, Tamil Nadu, Karnataka, Uttar Pradesh, Rajasthan and Andhra Pradesh, from ‘water scarce’ to ‘water positive’ by augmenting water availability and increasing ground water levels. The proactive measures include rainwater harvesting through check dams and roof-water harvesting, renovation and deepening of wells, tank distillation, as well as construction of farm ponds, KT weir dams, sub-surface bunds, cordons and mini percolation tanks. Sustainability of the program is ensured by close community participation in these projects including “Shramdaan”.
Highlighting other water management initiatives of BPCL, the CMD Mr. S. Behruia, said the following:
“Near Karur in Tamil Nadu we have developed many water bodies and have converted it into a park where people can come and visit. Water is a major issue today. Not that we are going to solve the water problems of the world, but the organization has undertaken a number of water-related initiatives such as rainwater harvesting and we learn from these initiatives undertaken within the organization.”

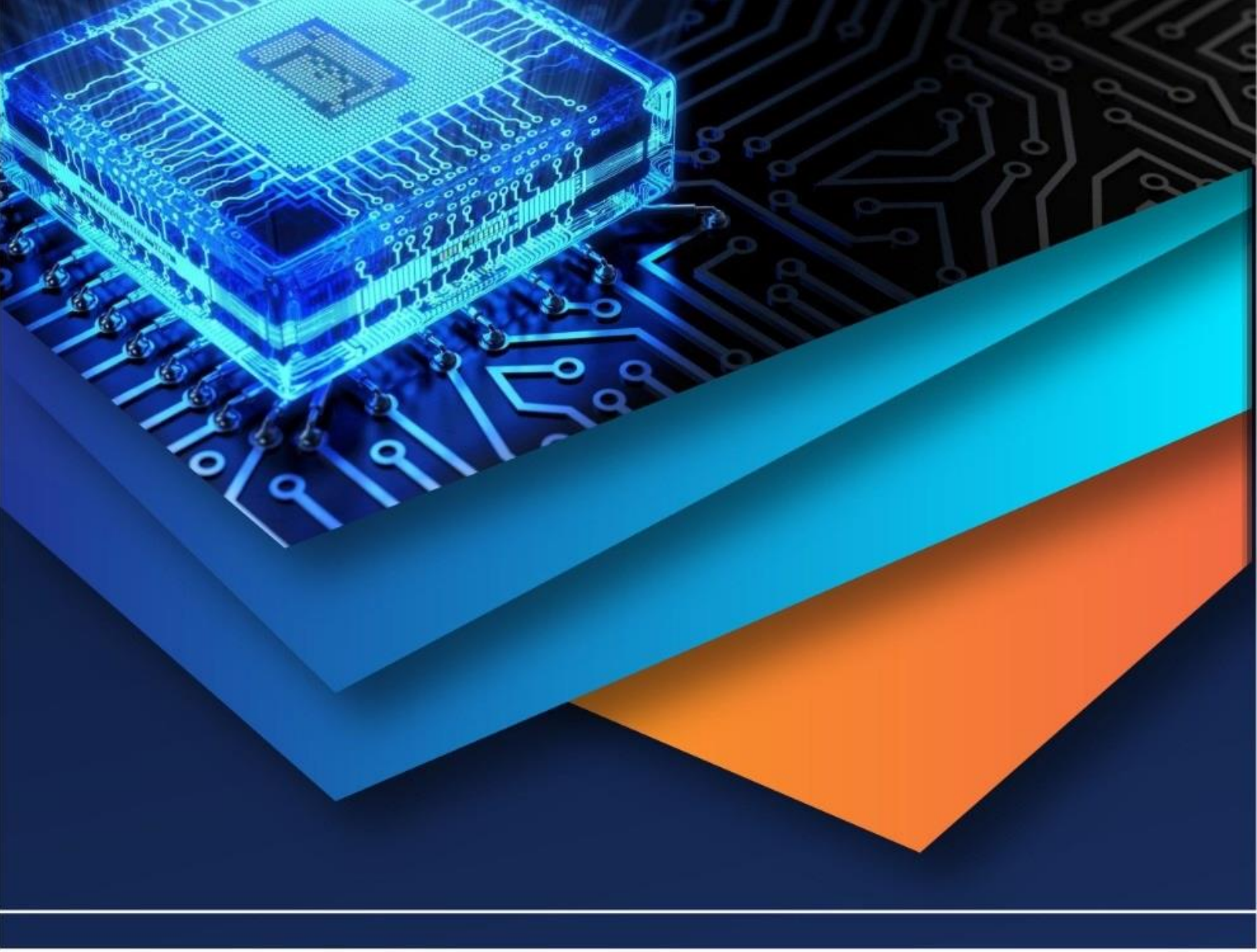
V. LIMITATIONS AND CONCLUSION

CSR has had many glorious moments in the Sun as has been minutely covered in the preceding pages however there is still a two-fold glaring problem. The first is with the lack of visible impact in the overall growth of the country. Even if a sample size of CSR initiatives from FY 2017-18 up to the present day is taken, thereby covering the pre-Regulation period, post-Regulation period, COVID lockdown and the easing of restrictions, there has not been a significant uptick in the projections of the country with regards to the vast swathes of money contributed by private and public corporations alike. As per the Ministry of Corporate Affairs, the total amount of unspent CSR amount with the corporates in 2017 was 1574 crores, which increased to 1717 crores by 2018. This amount is too large to be defended by the corporates why these corporates could not find the areas for investing this unspent amount of CSR. The future of CSR can be the bringer of great social and economic change the country, brining vast swathes of inequality under manageable hold and helping the State grow with the aid of the private and public companies’ initiatives. However, an equitable and sustainable growth would only be possible when there is a willingness to expand the initiatives, make it reach the untouched and unexplored communities, having programmes that help the truly underprivileged and undernourished populace. It will also fare better when companies do not keep unspent funds with themselves and help facilitate the red-tape being cut and all the funds being met with the requisite determination to harbour and promote real change.
CSR and its progress cannot only be valued in terms of the monetary numbers either, it must also be seen as a major source of generational change for the communities that are being helped and assisted. Although there cannot be any index to gauge the development of those who were assisted with cleaner drinking water, better environment, facilities and education, the real report of the sociological impact will only truly be known in a decade or two when those students who received professional formal education, clean water and access to a dignified life become the stellar examples of our society’s future.

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