

Changing Role of India Inc. in the Social Sector of Economy

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Abstract

The Indian economy is dominated by Private sector enterprises. So, private organizations are also bound to contribute towards society at large. This process when corporate sector spends some amount of their profits for the social cause is referred to as Corporate Social Responsibility (CSR). The CSR has been regarded very important for all the organizations. CSR not only has advantages for the society but it helps the organizations in a number of ways. Till now CSR in India has not been made compulsory. Though in the recent days Minister of Corporate Affairs, has repeatedly stated that CSR would be made mandatory, but till now, it is a voluntary activity which should be undertaken by a company on its own will. As voluntary CSR has not picked up in India, it is proposed to make it mandatory for corporate to earmark part of their profit for corporate social responsibility (CSR) initiatives in the new Companies Bil

Key words: Corporate Social Responsibility (CSR), Directive principles, Welfare State

Introduction

From the times of the royalties in India there was an inclination towards the welfare of the society and the Rajas of India regarded common people of the state as their own children. There were a lot of spending towards charity, beautification of city, employment generation etc. The same thing was carried forward after independence by the Constituent Assembly of India which was elected to draft The Constitution of India. Our eminent leaders at that time reinstituted the need to reconstruct the state of India, which was destroyed by Britishers as they took very less interest in welfare of Indians. As a result the drafting committee formed under chairmanship of Dr. B.R Ambedkar declared India as a welfare state in the Directive Principles of State Policy.

Directive Principles

The Directive Principles of State Policy are guidelines to the central and state governments of India, which are to be kept in mind while framing laws and policies by the assemblies. These provisions are contained in Part IV of the Constitution of India. Directive Principles of State Policy are not enforceable by any court, but these are regarded so indispensable that they are considered fundamental in the governance of the country. So, constitution has made it the duty of the State to apply these principles in making laws to establish a just society in the country. Directive Principles are classified under the following categories: Gandhian, economic and socialistic, political and administrative, justice and legal, environmental, protection of monuments and peace and security. DPSPs aim to create social and economic conditions under which the citizens can lead a good life. They also aim to establish social and economic democracy through a welfare state.

Welfare State

A welfare state as described in the Directive Principles of State Policy is a concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. The welfare state involves a direct transfer of funds from the state, to the services provided as well as directly to individuals. The welfare state is funded through redistributionist taxation and is often referred to as a type of "mixed economy". A welfare state basically spends towards poverty reduction interventions, expenditure in the fields of health, education and nutrition and social assistance and social welfare. It is based on the certain principles which are as follows:

1. Equality of opportunity

Equality of opportunity tries to inculcate open and fair competition with equal chances for getting jobs or positions. It also means that there should not be any discrimination towards the people who apply for a job on the basis of caste, creed, religion, social standing etc and selection should be purely based on credentials of the candidate. Now the periphery of this principle is also being extended to wider areas beyond employment including lending, housing, voting rights etc.

2. Equitable distribution of wealth

It is a comparison of the wealth of various members or groups in a society. It differs from the distribution of income in that it looks at the distribution of ownership of the assets in a society, rather than the current income of members of that society. In 2000 union government expenditures on social services (includes education, health, family welfare, women and child development, and social justice and empowerment), rural development, and basic minimum services were approximately US\$7.7 billion (Rs361.7 billion), which was 11.1 percent of total government expenditures and 1.7 percent of gross domestic product (GDP).

Changing Role of India Inc. in Social Sector

Indian economy is dominated by Private sector enterprises. So, private organizations are also bound to contribute towards society at large. This process when corporate sector spends some amount of their profits for the social cause is referred to as Corporate Social Responsibility (CSR). World Business council for sustainable development defines CSR as "a continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the total community and society at large."

The Prime Minister Dr. Manmohan Singh says, "CSR is no philanthropy. It is not charity. It is an investment in our collective future." The CSR has been regarded very important for all the organizations. CSR not only has advantages for the society but it helps the organizations in a number of ways. So let's see what are its' advantages internally for the company and how it helps in creating a positive image of the company in the society.

Benefits of CSR (externally)

1. To create positive image of the company in the society.
2. Earns a special respect for the top management and the subordinates.
3. Creates short term employment opportunity by taking various projects like campaigns against smoking, literacy programs etc.

4. By having good reputation, it is easy for the management to recruit employees and retain them.
5. In order to control pollution and minimize waste, companies recycle used products which in turn help in reducing costs for the companies also.

Benefits of CSR (internally)

1. Creates a sense of loyalty and trust amongst employees.
2. Serves as a diversion from routine workplace practice and gives a feeling of satisfaction to the employees.
3. Improves operational efficiency of the company by increasing the efficiency of employees resulting in increased quality of product and productivity.
4. Employees feel motivated and become more productive.
5. Helps to ensure that the organization complies with regulatory requirements.

Norms in India regarding CSR

Till now CSR in India has not been made compulsory. Though in the recent days Minister of Corporate Affairs Veerappa Moily, has repeatedly stated that CSR would be made mandatory, but till now, it is a voluntary activity which should be undertaken by a company on its own will. As voluntary CSR has not picked up in India, it is proposed to make it mandatory for corporate to earmark part of their profit for corporate social responsibility (CSR) initiatives in the new Companies Bill. UN Global Compact has prescribed some guidelines which are to be followed by the corporate to be used by all businesses irrespective of size, sector or location and therefore touch on the fundamental aspects of the enterprise which are based on the following nine principles –

1. The First Principle calls upon Business to conduct and govern themselves with Ethics, Transparency and Accountability.
2. The Second Principle deals with “the provision of goods and services that are safe and contribute to sustainability throughout their life cycle.”
3. The Third principle stresses on the “wellbeing of all employees” The principle relates to the dignity and well being of all employees within the organization and its value chain
4. The Fourth Principle calls upon Business to “respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized”.
5. The Fifth Principle calls upon “Business to respect and promote Human Rights.”
6. The Sixth Principle deals with the Environment. The Principle wants business to understand and be responsible for direct and indirect environmental impacts of their operations, products and services.
7. The Seventh Principle deals with Corporate Lobbying. The Principle says “Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner”
8. Principle Eight calls upon business “to support inclusive growth and equitable distribution.”
9. The Ninth Principle states “Business should engage with and provide value to their customers and consumers in a responsible manner.”

Conclusion

It was found that some of the organizations have started taking CSR activities voluntary but to carry it out on a mass basis it has to be made compulsory and mandatory by enforcing a law in this respect. Such laws already exist in foreign countries like Glass Steagle Act and Sarbans Oxley Act. So India can take a reference form them and form its own act to implement CSR in Indian economy. The CSR has been regarded very important for all the organizations. CSR not only has advantages for the society but it helps the organizations in a number of ways.

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