

Charity to Corporate Social Responsibility in India: Understanding the Journey

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Abstract

India has witnessed a rich heritage of business community relationship. The contemporary concept of corporate social responsibility might have originated from the western discourses but prior to it the idea of charity and philanthropy in India has evolved from its own ethos and cultural values. In India CSR has nothing to do with the economic reforms and consequent backtracking of the state rather, charity and philanthropy is deeply embedded in the business practices since time immemorial. According to the Ex-Prime Minister of India Dr. Manmohan Singh, CSR is not an imported western management concept rather it is a part of India's cultural heritage which Mahatma Gandhi called Trusteeship. With the passage of time the Government of India has made a legal provision in 2013 for guiding corporate social responsibility named as Companies Act. This is how the journey of CSR has taken place from a moral ethical concern to a legal compliance in India. The current paper within such a background has made an attempt to understand the emergence of charity and philanthropy in India and its journey towards CSR. The paper is completely based on secondary sources of data in which, various books, articles, reports, web sources and newspapers have been followed.

Keywords: Charity; philanthropy; Business community engagement; corporate social responsibility; trusteeship; companies Act.

1. Background of the study

India has witnessed a rich heritage of business community relationship. The contemporary concept of corporate social responsibility might have originated from the western discourses but prior to it the idea of charity and philanthropy in India has evolved from its own ethos and cultural values. In India CSR has nothing to do with the economic reforms and consequent backtracking of the state rather, charity and philanthropy is deeply embedded in the business practices since time immemorial. According to the Ex-Prime Minister of India Dr. Manmohan Singh, CSR is not an imported western management concept rather it is a part of India's cultural heritage which Mahatma Gandhi called Trusteeship. With the passage of time the Government of India has made a legal provision in 2013 for guiding corporate social responsibility named as Companies Act. This is how the journey of CSR has taken place from a moral ethical concern to a legal compliance in India. The current paper within such a background has made an attempt to understand the emergence of charity and philanthropy in India and its journey towards CSR. The paper is completely based on secondary sources of data in which, various books, articles, reports, web sources and newspapers have been followed.

2. Review of literature

Dadarwala (2014) viewed that, the rise and growth of "corporate philanthropy" in India is vividly captured. Undoubtedly, the single-most important factor influencing business philanthropy in the pre-Independence period was the emergence in the 1920s of Mahatma Gandhi as a political and social leader and his subsequent idea of Trusteeship. Gradually 1990s ushered in the contemporary phase of business-community engagement which we now refer to as CSR. This decade reaffirmed the need for business to be more

responsible towards society and in broadening the concept of responsibility to include corporate philanthropy, sustainable wealth creation, good corporate governance, inclusive business practices, creating shared value and hybrid value creation and advocacy and action to achieve globally accepted goals in development.

Prasad (2005) has noted that in the contemporary debate on the modern corporation and its impact on the economy, society and nation, the focus has shifted from growth with only profitability to growth with sustainable development, which includes the stakeholders. While there is considerable debate on the corporations obligations to civil society in the Western world, in the developing countries the debate is sporadic; an effort to initiate a nationwide discourse on the concepts and practices of corporate social action in India.

3. Objectives of the study

- To understand the Gandhian idea of Trusteeship and its sources of emergence.
- To analyse the journey from the Gandhian idea of Trusteeship to contemporary model of CSR in India.

4. Methodology

The study is completely based on secondary sources of data so for this purpose various books, articles, websites, newspapers have been followed.

5. Findings and discussions

In this section discussions will be made regarding what is trusteeship and how it emerged by Gandhi in India? Along with that

there will be a discussion pertaining to the journey from Gandhian trusteeship to CSR of contemporary time in India.

Trusteeship and its Sources

Trusteeship occupied a prominent place in the Gandhian thought. For him the wealthy people should act as the trustees of the society and he should use his wealth and talent for the betterment of all. What he need is an honourable livelihood and nothing more than that. The rest of the wealth should be used for the social wellbeing. This socio-economic philosophy of trusteeship was developed by Mahatma Gandhi in 1920.

There are four different sources from which Gandhi seemed to have derived his concept of trusteeship (Chakrabarty, 2017). First, there is no doubt that trusteeship was rooted in the strong religious-social tradition of India. He based his doctrine on the first verse (*sloka*) of *Isopanishad* which insists that one should dedicate everything to God and then use it only what is required for one's survival. One therefore does not have right to anything beyond what is necessary for one's existence. What is most critical to this doctrine is the spirit of detachment and service. Unless these two virtues are inculcated, trusteeship loses its significance. Gandhi drew on indigenous sources while formulating his notion of trusteeship. Two fundamental concepts of Indian scripture, *Bhagvad Gita*, namely *Aparigraha* (non-possession) and *Samabhavana* (equality or oneness with all) remained critical in his formulation. Gandhi translated these two major values of *Bhagvad Gita* in trusteeship.

Secondly, in formulating his idea of trusteeship, Gandhi was heavily influenced by John Ruskin's "*Unto this last and other essays*". The book seemed to have cast "a magic spell on Gandhi who 'determined to change his life in accordance with the ideas' of Ruskin. The book was remarkable, as Gandhi felt, because it highlighted those 'moral' principles which lost salience in the phase of industrialism. According to Gandhi, Ruskin laid the foundation for trusteeship by enumerating the following conditions which 'a merchant' should take as his duties:

1. Ruskin saw self-interest-based economies as bringing 'schism into the Policy of Angles and ruin into the Economy of Heaven'.
2. For as consumption is the end and aim of production, so life is the end and aim of consumption.
3. An enlarged entitlement for labour on the one hand, with more limited entitlement for business.
4. What was morally legitimate for business to claim, according to Ruskin, hovered precariously on survival entitlements only?
5. A merchant should, in his call to duty, use his utmost energies not just to produce at the cheapest cost but to distribute at the cheapest price where the merchandise is most needed. In the course of doing this he should be prepared to meet fearlessly any form of distress, poverty, or labour which may, through the maintenance of these points come upon him.

Thirdly, Gandhi may have been influenced by Andrew Carnegie's *The Gospel of Wealth* which was regularly serialized in different publications in England, including, *Fortnightly Review*, *Nineteenth Century*, *Saturday Review* and *Pall Mall Gazette* during the 1888-91 when Gandhi was there pursuing his training as a lawyer. Seeking to offer an alternative to socialism within capitalism, Carnegie devised a scheme by urging the wealthy to adopt the principle of 'trusteeship' which 'is held to be the duty of the man of wealth'. He further insisted that 'to set an example of modest, unostentatious living, shunning display of extravagance; to provide moderately for the legitimate wants of those dependent upon him; and, after doing so, to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer ... the man of wealth thus becoming the mere trustee and agent for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than what they would or could do for themselves. In order to serve the poor, Carnegie recommended that the surplus wealth should be spent on worthy causes, like building educational institutions, hospitals and churches, among other things.

Fourthly, Gandhi seemed to have derived his passion for Trusteeship from his study of English legal discourse which rec-

ognized the importance of 'tutelage' in treating the colonial subjects. Edmund Burke was perhaps the first the British ideologue who clearly formulated the idea of Trusteeship until the latter half of the eighteenth century in the context of the famous trial of Warren Hastings when he mentioned that 'all political power which is set over men ...ought to be some way or other exercised ultimately for their benefit.

Journey from Trusteeship to CSR of Contemporary Time

In this section we will have a detail discussion regarding the journey from Gandhian idea of trusteeship to CSR of contemporary time under four broad heads.

1920-1950

Any discussion on the role of the corporate in the society will remain incomplete without reference to the theory of trusteeship propounded by Mahatma Gandhi in 1920. Based on his deep understanding of the Indian society, Gandhi had propounded his philosophy which is different from the western concepts of capitalism or socialism. Trusteeship is undoubtedly a single starting point for corporate social responsibility in India. According to the Ex-Prime Minister of India Dr. Manmohan Singh, CSR is not an imported western management concept rather it is a part of India's cultural heritage which Mahatma Gandhi called Trusteeship (<http://pmindia.gov.in/all-speeches.php>). It provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. Trusteeship is based on the change of heart or mindset of the rich property-owners for considering themselves not as the absolute lords of what they possess, but as the custodians of social wealth or trustees utilizing the property for the good of the whole community. Putting it in Gandhiji's words "Supposing I have come by a fair amount of wealth either by way of legacy, or by means of trade and industry, I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community." So the Gandhian idea of trusteeship is solely responsible for the development of a sense of social responsibility among the wealthy businessmen. With the influence of Trusteeship industrialists like Tata, G D Birla, Jamanlal Bajaj and Lala Shri Ram initiate various philanthropic activities for the social wellbeing and it continued till the independence (Dadrawala, 2014).

1950-70

After the independence Jawaharlal Nehru became the Prime Minister of India. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities. Public Sector Undertakings (PSU's) grown massively. Through these units Government wanted to bring economic development and to spend on various social welfare activities as per his discretion but the public delivery of goods and services became riddled with massive corruption and bureaucratic inefficiency and the welfare schemes are plugged with leakages. So the high expectation from the PSU's came crashing down and CSR is being seen as an alternative to governmental provision of merit goods (Maira, 2013).

1970-1990

During this time period Corporate Responsibility was confined to its economic bottom line. This implies that, it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends. During this time period much priority was given on the shareholders only. There was almost no or little stakeholder concern (Sharma, 2009).

1990 to Present

By late 1990s, the concept of CSR was fully recognized; people and institutions across all sections of society started supporting it. This time witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development which concern for disadvantaged groups

in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations. This can be corroborated by the fact that while in 1977 less than half of the Fortune 500 firms even mentioned CSR in their annual reports, by the end of 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively promoted their CSR activities in annual reports (Boli and Hartsuiker, 2001). Gradually the renowned company TATA 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 the concepts of "Social Responsibility" (Gupta, 2012).

The most significant factors for the development of the current concept of CSR came from concern over the environment. It is related to the idea of sustainable development, developed by the Brundtland Commission in the late 1980s and accepted by the Rio Earth Summit in 1992. One of the most important drivers of CSR is the idea that there is a "business case" for social responsibility. Behind this idea lies the widely accepted belief that measures that are good for the environment can also be good for the financial performance of a company. Another aspect of the environmental influence on the concept of CSR was that the non-financial performance of an enterprise could be objectively measured, reported, audited and certified in ways similar to those that are used to measure, report, audit and certify the financial performance of a company. Yet another aspect of the environmental influence was the ecological approach to social issues represented in the concept of "stakeholders". A second important source of the current concept of CSR can be traced to the consequences of liberalization, deregulation and privatization. A third source of the current concept of CSR relates to the codes of conduct adopted by companies and meant to be applied to the labour practices of their suppliers and subcontractors. Another source for the present concept of CSR is the incorporation of ideas drawn from human resource development (HRD) concerning the retention or training of the workforce (Sharma, 2009).

Then gradually the government of India understood the growing importance of CSR and they want to make policy to guide it. Consequently in 2013 the first initiative towards the formation of legislation undertaken as the Companies Bill presented in the Lok-sabha. In August 2013 it got the assent of the President of India and it became Companies Act of 2013. As per this act every company having net worth of Rs. 500 crore or more, or turnover of Rs. 1,000 crore or more or net profit of Rs. 5 crore or more during any financial year, shall constitute a CSR Committee of the Board consisting of three or more Directors, including at least one Independent Director, to recommend activities for discharging Corporate Social Responsibilities and the company would spend at least 2% of its average net profits of the previous three years on specified CSR activities (India CSR, 2013). With this provision the corporate social responsibility became mandatory and India became the first country to undertake CSR through a statutory provision. The provision is continuing now. So this is how the journey has taken place from the Gandhian idea of trusteeship to CSR of Contemporary time. The moral-ethical concern now has become a legal compliance.

Conclusion

From the above discussion it can be said that, Gandian trusteeship is an epoch making socio-economic philosophy in the area of corporate social responsibility. Trusteeship has really translated the concern of business houses for society into a reality. It is undoubtedly a starting point for corporate social responsibility in India. It made corporate social responsibility a reality. Though the moral ethics driven CSR has now become a legal compliance for corporates, trusteeship has really ingrained a sense of social commit-

ment among the industrialists so there are a lots of expenditures being witnessed for social wellbeing under CSR in India.

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