Corporate Social Responsibility in India: Reaching to Unreached?

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Abstract

In 21st century the whole world tied together into a single globalized marketplace and village, well termed as a global village. Across the globe, people are getting involved in a complex community of networks stretching across cities, nations, oceans, and governments. This flow of information is forcing world to a new equilibrium, where there is no/less regional imbalances; neither within nations nor within states of a nation. To achieve the growth of double digits, the precondition is to access the development potentials of all areas as per its capacity to harness the benefits of economic development in different regions of the country. This article attempts to map the CSR efforts of companies in India towards the upliftment of aspirational districts. These districts are chosen under the scheme of Aspirational Districts Program of National Institution for Transforming India (NITI Aayog). The findings of this study lights upon that CSR has walked a long way in India. CSR activities by the corporate sector is playing a game changing role in addressing the growing needs of society, and has demonstrated a strong support to the government’s commitment to reduce inequities among people and communities.

Keywords: Aspirational District Program, corporate Social Responsibility, Ministry of Corporate Affairs (MCA), NITI Aayog.

Introduction

The concept of corporate social responsibility is now firmly rooted into the business arena. There is another idea that pushed this move forward that corporations can no longer act as isolated economic entities operating in detachment from broader society.

The European Union, in 2001 published a Green Paper on Corporate Social Responsibility, it defines CSR as -

“The voluntary integration of companies’ social and ecological concerns into their business activities and their relationships with their stakeholders. Being socially responsible means not only fully satisfying the applicable legal obligations but also going beyond and investing ‘more’ in human capital, the environment, and stakeholder relations.”

The International Organization for Standardization (ISO) defined the CSR through its ISO 26000 standards on Corporate Social Responsibility, it defines CSR as-

“The responsibility of an organization for the impacts of its decisions and activities on society and the environment, resulting in ethical behavior and transparency which contributes to sustainable development, including the health and well-being of society; takes into account the expectations
of stakeholders; complies with current laws and is consistent with international standards of behavior; and is integrated throughout the organization and implemented in its relations.”

The idea that companies must do CSR and play an active role in the sustainable development was born by some American managers in the early 50s. They thought that companies should no longer focus only on their profits but also on the impact they have done on society and the environment, they will have other kinds of benefits.

With the development of global concerns on environment, economic and social issues. The second half of the 20th century witnessed high upsurge in corporate responsibility expectations from all stakeholders. In the 1990s and 2000s, governments in several countries around the world created the foundations for modern CSR. Among all, France was the first to force companies to communicate their performance in terms of sustainable development.

India is the first country in the world to make corporate social responsibility (CSR) mandatory. For this purpose, an amendment to The Company Act, 2013 was made in April 2014. Now, businesses must invest a certain fraction of their profits in welfare of society.

Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes. Companies now have specific departments and teams that develop specific policies, strategies, and goals for their CSR programs and set separate budgets to support them.

The policy-making role of government is crucial for promoting CSR between different industries at the national level. The joint efforts of government and the private sector can effectively improve national CSR standards for the betterment of societal needs.

**Aspirational District Programme**

There is high heterogeneity in the living standards in India and significant inter-state and inter-district variations also persist. By uplifting those districts which have shown relatively lesser progress in achieving key social outcome, India can pull millions of its people out of poor living standards. Keeping this in mind, 115 districts were identified from 27 states, at least one from each state by using a composite index of key data sets.

National Institution for Transforming India (NITI Aayog) is steering the initiative in 30 districts, respective pool of central ministries and Ministry of Home Affairs is focusing on other districts. This program focuses closely on improving people’s ability to participate fully in the vibrant economy.

After consultations with various stakeholders, 49 key performance indicators have been chosen to measure progress of the districts. The objective of this program is to monitor the real-time progress of aspirational districts based on 49 indicators (81 data-points) from the 5 identified thematic areas.
The NITI Aayog in June, 2018 launched the first Delta ranking (incremental progress) for the Aspirational Districts. This is based on self-reported data of districts across five developmental areas—Health and Nutrition, Education, Agriculture and Water Resources, Financial Inclusion and Skill Development, and Basic Infrastructure. This Delta ranking takes a step further and looks into specific aspects of Sustainable Development Goals (SDGs).

**Graph: 1**

Composite Ranking

**List of aspirational Districts**

**Table: 1**

<table>
<thead>
<tr>
<th>States</th>
<th>Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>Vizainagram, Cuddapah, Visakhapatnam</td>
<td>3</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>Namsai</td>
<td>1</td>
</tr>
<tr>
<td>Assam</td>
<td>Darrang, Dhubri, Barpeta, Goalpara, Baksa, Udalguni, Hailakandi</td>
<td>7</td>
</tr>
<tr>
<td>Bihar</td>
<td>Katihar, Begusarai, Sheikhpura, Araria, Sitamarhi, Khagaria, Purnia, Auras, Banka, Gaya, Jamui, Muzaffarpur, Nawada</td>
<td>13</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>Korba, Mahasamund, Bastar, Bijapur, Dantewada, Kanker, Kondagaon, Narayanpur, Rajnandgaon, Sukma</td>
<td>10</td>
</tr>
<tr>
<td>State</td>
<td>Cities/Regions</td>
<td>Index in Cosmos</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Gujarat</td>
<td>Narmada, Dahod</td>
<td>2</td>
</tr>
<tr>
<td>Haryana</td>
<td>Mewat</td>
<td>1</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>Chamba</td>
<td>1</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>Kupwara, Baramula</td>
<td>2</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>Sahebganj, Pakaur, Godda, Latehar, Lohardaga, PALAMU, Purbi Singhbhum, Ramgarh, Ranchi, Simdega, West Singhbhum, Bokaro, Chatra, Dumka, Garhwa, Girdih, Gumla, Hazaribagh, Khunti</td>
<td>19</td>
</tr>
<tr>
<td>Karnataka</td>
<td>Yadgir, Raichur</td>
<td>2</td>
</tr>
<tr>
<td>Kerala</td>
<td>Wayanad</td>
<td>1</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>Damoh, Singrauli, Barwani, Vidisha, Khandwa, Chhatarpur, Rajgarh, Guna</td>
<td>8</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>Nandurbar, Washim, Osmanabad, Gadchiroli</td>
<td>4</td>
</tr>
<tr>
<td>Manipur</td>
<td>Chandel</td>
<td>1</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>Ribholi</td>
<td>1</td>
</tr>
<tr>
<td>Mizoram</td>
<td>Mammit</td>
<td>1</td>
</tr>
<tr>
<td>Nagaland</td>
<td>Kiphire</td>
<td>1</td>
</tr>
<tr>
<td>Odisha</td>
<td>Rayagada, Kalahandi, Kandhamal, Gajapati, Dhenkanal, Balangir, Koraput, Malkangiri</td>
<td>8</td>
</tr>
<tr>
<td>Punjab</td>
<td>Firozpur, Moga</td>
<td>2</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>Baran, Jaisalmer, Dholpur, Karauli, Sirohi</td>
<td>5</td>
</tr>
<tr>
<td>Sikkim</td>
<td>West Sikkim</td>
<td>1</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>Ramnathapuram, Virudhunagar</td>
<td>2</td>
</tr>
<tr>
<td>Telengana</td>
<td>Bhoopalpalli, Asifabad, Khammam</td>
<td>3</td>
</tr>
<tr>
<td>Tripura</td>
<td>Dhalai</td>
<td>1</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>Chitrakoot, Balrampur, BahraiCh, Sonbhadra, Shrawasti, Chaudhuri, Siddharthnagar, Fatehpur</td>
<td>8</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>Haridwar, Udham Singh Nagar</td>
<td>2</td>
</tr>
<tr>
<td>West Bengal</td>
<td>Murshidabad, Maldah, Birbhum, Nadia, Dakshindinajpur</td>
<td>5</td>
</tr>
</tbody>
</table>

**Total = 28**

**Total = 115**

Source: National Institution for Transforming India (NITI Aayog)
Literature review

Over the last decade, governments have joined other stakeholders in assuming a relevant role as drivers of CSR and adopting public sector roles in strengthening CSR (Moon, 2004). Author in his study revealed that the increasing profile of CSR as a concept in government action is linked to other challenges brought about by globalization and economic change.

With the purpose to conduct a research to analyze governments’ CSR public policies and initiatives in order to understand which comprise the main elements that shape government thinking when drawing up CSR public policies; Laura Albareda and others, concluded that governments have an important role to play in defining clear policy frameworks of action to influence and encourage other organizations and also in leading by example. Governments can act as brokers between sectors, working both on the supply side of CSR (companies, consultants, industrial associations) and on its demand side (citizens, consumers, investors, stakeholder groups) (Laura Albareda, 2008).

Silvio M. Brondoni and Luisa Bosetti in a study explored that Globalisation has widened the territorial boundaries of competition, at the same time drastically reducing the reaction times of firms with respect to the changes taking place in the market. Further, it also led to breaking down geographic boundaries, thus becoming very difficult today to clearly define the boundaries and business activity areas (Bosetti, 2018).

A study based on the Environmental Social and Governance (ESG) ratings which collects data for seven categories relating to community, corporate governance, diversity, employee relations, environment, human rights, and product, done by David K. Ding and others. This study documented that the relation between CSR and firm performance is conditional on socioeconomic factors, which highlight the endogeneity concerns inherent in CSR studies (David K. Ding, 2018).

Peter Utting in a writing explored that Institutional reforms associated with neoliberalism and ‘good governance’ have altered the roles and responsibilities of states and transnational corporations in relation to social development. Now corporations are focusing more on the contribution of (corporate social responsibility) CSR to equality and equity, by minimising deprivation; enhancing equality of opportunity; correcting gross imbalances in the distribution of income, wealth and power; and social justice etc.

According to the Indian Corporate: “Sustainable development implies optimizing pecuniary position while not depleting social and environmental aspects and social responsibility implies sustaining issues related to children, women and environment” (Agarwal, 2014).

CSR in emerging market economies like Brazil, India, and South Africa have been found to be quite comparable to that in developed economies (Baskin, 2006). Indian firms also approach CSR primarily from a stakeholder perspective, driven primarily by the “caring” model. Due to India’s mounting social problems, it’s much more urgent for Indian firms to find resources to devote to CSR than for firms in the West in order to address these social issues (Aravind, 2011).
Objectives of the study

1. To study the priority of CSR expenditures between states.
2. To study the sector-wise allocations for CSR funds.
3. To analyse the CSR funds allocation in aspirational districts.

Methodology

Sampling:
For this study, aspirational districts and low income states are chosen on the basis of purposive sampling, as researcher wants to observe that whether CSR expenditures are devoted to development of comparatively backward districts/states.

Content analysis:
Data for aspirational districts are accessed through websites of various institutions of government of India, like- NITI Aayog, Ministry of corporate Affairs(MCA). Researcher gone through the various survey reports like- KPMG India, World Bank Reports etc., to get the holastic approach for this study.

Content analysis was found very useful for tracking the growth and development of backward states/districts.

Statistical tools:
Average mean, percentage calculations are used to perform the study.

Data analysis and findings

A- Priority of CSR expenditures among states:

The mandatory CSR expenditure is meant to assist state governments in improving their development indices. The recent notification by the Ministry of Corporate Affairs (MCA) re-emphasises that companies should give preferences to the local area and areas around which they operate. NITI Aayog has put forth the increased role of corporates for the development of aspirational districts in India.

The World Bank's series of 'India States Briefs' is an attempt to address the gaps of growth and well-being that is scattered across multiple, disconnected resources in the public domain in India. 'India States Briefs' is part of the World Bank's Open Data initiative to improve public access to development data. The states briefs cover 18 of India's large states- Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh, Uttarakhand, West Bengal.
Table: 2

<table>
<thead>
<tr>
<th>Category of States</th>
<th>Number of States</th>
<th>2014-15 (in crore)</th>
<th>2015-16 (in crore)</th>
<th>2016-17 (in crore)</th>
<th>Total CSR expenditure</th>
<th>Average Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income States</td>
<td>7</td>
<td>1067.60</td>
<td>2122.66</td>
<td>686.23</td>
<td>3876.49</td>
<td>553.78</td>
</tr>
<tr>
<td>Above Low Income States</td>
<td>11</td>
<td>3235.97</td>
<td>4941.21</td>
<td>1639.34</td>
<td>9816.52</td>
<td>892.41</td>
</tr>
</tbody>
</table>

Source: India States Briefs

Above table shows that low income states have got an average CSR expenditure of 553.78 crore (between 2014-17) while comparatively wealthier states got an average CSR expenditure of 892.41 (between 2014-17). This difference in CSR expenditure proves that the spirit of mandatory CSR has misconceptions.

Now it's time to divert CSR funds to the states which really in need. This diversion of funds should be done from the CSR committees itself to fulfill the social obligation and building the brand's image across the globe. There should not be any imposition for diversion by law as this can cause chaotic situation for business operations.

Chart: 1

CSR Expenditure on States

- Low Income States
- Above Low Income States

Source: India States Briefs
Above chart shows that the difference between both types of states (low income states and above low income states) is going down year-by-year. Till 2016-17 this difference has reached to it's minimum level. It's a good sign for the development of backward states.

**Chart:2**

<table>
<thead>
<tr>
<th>CSR Expenditure in percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income States</td>
</tr>
<tr>
<td>62%</td>
</tr>
</tbody>
</table>

Source: India States Briefs

Above chart shows the percentage of total CSR expenditure spent between 2014-17. Data shows that wealthier states got 62% while others got 38%. This difference should be done in favour of poorer states.

**B- To study the sector-wise allocation of CSR funds:**

The Indian corporate sector has enthusiastically adapted and implemented schemes and programmes as their contribution towards society. The impact of these efforts on the part of the corporate sector, is significant. This in turn helps in reinforcing the corporation’s reputation and customer loyalty. Now, Companies are moving from just compliance towards responsible behaviour.

**Table: 3**

<table>
<thead>
<tr>
<th>Operational Area</th>
<th>2014-15 (in crore)</th>
<th>2015-16 (in crore)</th>
<th>2016-17 (in crore)</th>
<th>Total CSR expenditure (in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and Finance</td>
<td>677.30</td>
<td>1160</td>
<td>1281</td>
<td>3118.30</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>445.60</td>
<td>543</td>
<td>587</td>
<td>1575.60</td>
</tr>
<tr>
<td>Energy and Power</td>
<td>1994.80</td>
<td>2312</td>
<td>2525</td>
<td>6831.80</td>
</tr>
<tr>
<td>Pharma</td>
<td>86.30</td>
<td>189</td>
<td>202</td>
<td>477.30</td>
</tr>
<tr>
<td>Mining and Metals</td>
<td>582.40</td>
<td>623</td>
<td>566</td>
<td>1771.40</td>
</tr>
</tbody>
</table>

Source: KPMG CSR reporting survey
Above table highlights that energy and power sector done top most expenditure followed by banking and finance. It has been found that many financial services and IT industry, tend to choose CSR activities not related to their routine businesses.

**Chart: 3**

Sector-wise CSR Expenditure

- Banking and Finance
- Consumer Products
- Energy and Power
- Pharma
- Mining and Metals

Source: KPMG CSR reporting survey

Above chart shows that share of energy and power sector is growing year-by-year. In terms of total expenditure, it demonstrated huge growth.

**Chart: 4**

Sector-wise perentage

- Banking and Finance
- Consumer Products
- Energy and Power
- Pharma
- Mining and Metals

Source: KPMG CSR reporting survey
Above chart shows the share of each sectors in terms of percentage, it considers the overall expenditure from 2014-17. It is clear that energy and power sector and banking and finance sector, grabs almost 73% of entire.

C- To analyse the CSR funds allocation in aspirational districts:

The Companies Act, 2013, mandates that Indian corporates, both public and private, to allocate at least two percent of their net profits towards corporate social CSR and this amount should be spent responsibly for the betterment of marginalised people. Unfortunately, after analysing the CSR spending by Indian corporates (district-wise), it is observed that the wealthiest districts comes out as major beneficiaries and the backward districts continued to lag behind.

![Table: 4](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Aspirational</th>
<th>Non-Aspirational</th>
<th>Total CSR Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-17</td>
<td>763</td>
<td>17128</td>
<td>17891</td>
</tr>
</tbody>
</table>

Source: India CSR Portal, MCA

Above table shows that the total CSR expenditure between 2014-17, has gradually gone upwards but areas which need more assistance are not getting what they deserve. But well connected and accessible areas are much ahead in attracting CSR expenditure.

The only exception is Korba district in Chhattisgarh, which has received Rs 273 crore of CSR funding during the 2014-17. This district has got placed recently as a backward district by NITI Aayog under their ‘Aspirational Districts Programme’.

![Chart: 5](image)

Source: India CSR Portal, MCA
Above chart shows that the economic growth in the aspirational districts is less inclusive than non-aspirational districts, further it lowers development in India as a whole. Between 2014-17, asprational districts got only 4% compare to 96% of non-aspirational districts.

**Conclusion**

This study presents the conclusion that responsive activities of corporations towards the sustainable initiatives and social inequities have clearly demonstrated their ability to make a significant difference in society and improve the overall quality of life. Now more individuals and organisations are beginning to give back to the society at large, Which in turn attracting larger involvement, participation and commitment between foundations, industry, NGOs and the government. However, this activity is largely spaced-out and not channelised to measure quantifiable results.

It is suggested that corporations should choose CSR projects related to their businesses to ensure sustainability of CSR implementation as it would also help to measure the benefits and outcomes and further encourage companies to spend more on CSR programmes. FMCG industry, have designed CSR activities with a long term views and influences for socio-economic change.

**References**
