

Taming Inequalities

Neoliberalism and Corporate Social Responsibility in Indian Context

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ISSN 2348-2869 Print

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Journal of General Management Research, Vol. 2,
Issue 2, July 2015, pp. 40–49.

Abstract

These days we only find that altruism is being practiced and preached either during natural calamities or man made disasters. Often, seeds of social Responsibility are sowed in school children either through summer holiday projects or home works'. Simultaneously a very dominating role of Corporates and their anew social responsibility initiatives becomes a vantage point to explore. This paper will examine the concept keeping in mind the dynamics of Neo Liberal age and its synergy with poverty reduction, development and welfare. For this, we will be analyzing a short case study of Bill and Melinda Gates Philanthropy with Sunhara India Project in seven districts of Uttar Pradesh. The final segment of this paper highlights on how Corporate Social Responsibility can be construed as business and development tools respectively.

Keywords: Corporate Social Responsibility, Neo Liberalism, Trusteeship, Development, Welfare

THE ADVENT OF NEO LIBERALISM

Infinite numbers of scholarly articles, books and reports have been published circling around the concept of Neo Liberalism. This extensive literature has created a hegemonic discourse firmly grounded on three cornerstones-liberalizing the economy: eliminating price controls, deregulating capital markets, reducing the role of the state: privatization of the state owned industries, advertising the idea of 'fiscal austerity', curtailment of future investments: in government subsidy and tight control of money supply. This is a radical form of Market fundamentalism that draws its origin from a specific strand of liberalism-economic liberalism¹ is to leave individual participating in free and self-regulating markets. It wasn't all of sudden that nations were grappling to overturn their dismantling economic situation; the shift from Keynesian economics to Neo Liberal calculations was not gradual in nature. Most nations that opted for Keynesian model of growth fell short of achieving the goals of full employment and poverty alleviations. Thus, the need of the hour was Neoliberal model of development thrust upon a set of assumptions on State and Market behavior patterns. The two best friends: Ronald Regan and Margaret Thatcher were pallbearers of Neoliberalism. Leaders of first world upheld the aspects of Laissez Faire

¹ Also advocated by Adam Smith and his celebrated notion of invisible hand, Wealth of Nations, Bantam Classics, Reprint edition, March 2003.

economics and gradually erased the memoirs of State being a 'cradle to grave' one.

Similarly, countries like India whose economic position was unstable thanks to dwindling foreign exchange and stagnating growth coerced leaders to contemplate 'out of the box' ideas. And the Eureka moment was acceptance of monetary aid camouflaged as Structural Adjustment Programs (SAPs) by the global Monsters like International Monetary Fund (IMF) and World Bank (WB). Little did the Government realize that race to the top will soon transform into race to bottom! The roll out of economic reforms and their repercussions were not universal in nature. The uneven or haphazard kind of development brought in more misery than glory. If inequalities of certain types did exist in the era of License Raj then, Neo Liberalism aggravated these inequalities further intensifying class differences and other disparities. Such irreconcilable differences became political weapons for contesting elections – State and Nation level respectively, while well wishers likewise NGO's, Samaritans and others tried to bridge the gap between rich and poor or equal and unequals'.

Even after so many years of Liberation, why is our country still considered to be the fastest developing but not yet developed? Did the reducing role of the State in terms of welfare stimulate the corporates to divert its superfluous profits to Planet and its People or Community? Is it possible to visualize

Corporates as modern drivers of social change for disillusioned people?² These are the few intriguing questions raised while interrogating ethics and sustainability of highly funded Corporate Social Responsibility (CSR) projects proliferated in different parts of India.

ROOTS OF INDIAN PHILANTHROPY

Social Investment by business has been known by different names at different times: charity, corporate philanthropy, corporate citizenship, venture philanthropy and many others. For now, it has become an obligation for reputed business houses to give back to the society its economic surplus that it has been able to generate because of the license granted by the society.³ It isn't unusual for many when wealthy individuals and families in both developed and developing countries have a heritage of pursuing charitable contributions to alleviate the other from local (social) problems. The genesis of social responsibility in the Indian context was largely due to religious offerings like daana (giving) and dakshina in Hinduism and bhiksha in Buddhism, zakat⁴ in Islam being preached and practiced in Pre

Independence era. Furthermore, the modern narrative on Corporate Social Responsibility is in a constant tussle to determine whether it's a western concept or a Gandhian notion. A large amount of scholarly writings provocatively states it's a western idea and multi billionaire giants like Bill and Melinda, George Soros or Warren Buffet are prominent ambassadors of Corporate Charity in developing countries of Third World. But for others, it's a Gandhian idea based on 'Trusteeship Model' wherein individuals considers a part of their wealth in excess of his needs as being held in trust for the larger good of the society.⁵ Proponents of the Gandhian model of Charity categorize it as 'Sarvodaya', universal welfare and are well beyond utilitarian⁶ framework. Thus, there exists a dynamic relationship between the rich and poor, strong and weak or principle and agent. No wonder why, J R D Tata was applauded as the father of Modern Philanthropy and during the Independence struggle the Birlas' vehemently sponsored maintenance projects of Sabarmati Ashram, Gujarat. Other than these well do businessmen, traditional merchant communities – Aggarwals, Reddys, Chettiars were always committed to do charity for the poor and underprivileged. Small anecdotes also recognize the humanitarian instinct of these communities when profit shares were nominal and many indigenous

² poverty stricken, malaise, loss of livelihood leading to displacement, dispossession and social exclusion. The state retracting from its welfare benefits thus corporates appear as a bright ray of hope for underprivileged sections of (Indian) society.

³ Pushpa Sundar, *Business and Community: The Story of Corporate Social Responsibility in India*, Sage Publications, New Delhi, 2013.

⁴ Zakat is considered to be one of the 5 pillars of Islam. It's mandatory for Muslims to offer a portion of one's valuable possession.

⁵ C. Gopinath, "Trusteeship as a Moral Foundation for Business", *Business and Society Review*, Blackwell Publishing, 2005

⁶ Largely advocated by Jeremy Bentham, James Mill and John Stuart Mill – Maximum happiness for Maximum people.

traders deliberately stopped intervening in charity projects due to dwindling market opportunities. Its illogical to get into the debate as to who promoted the picture of altruism in colonial and post colonial times, what at stake is the accurate definition on Corporate Citizenship and its implications in contemporary contexts. The most widely accepted and acclaimed definition on Business Charity was tabled by European Commission states, “CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.⁷ Thus one can extrapolate from the aforementioned statement that Corporate Social Responsibility is an umbrella concept further packaged into universal sizes depending upon whims and fancies of the esteemed Business Houses.

For a very long time doing CSR or charity wasn't promoted at high scale until the United Nations (UN) organized a global Compact initiative in 2002 following the optimism of Millennium Development Goals (MDGs). There is hairline difference between pursuing Philanthropy towards local community on a mandatory or voluntary basis. The current legal discourse in India, Companies Act' 2013 (section135) makes it mandatory for companies to contribute a share of their surplus profits for the well being of denizens and Mother Nature. The

⁷ Richa Gautam and Anju Singh, “ Corporate Social Responsibility Practices in India: A study of Top 500 companies”, *Global Business and Management Research: An International Journal*, 2010.

voluntary efforts towards CSR are grounded upon the desire of the owner and profit margins. An inorganic relationship exists between the community and nature with the stakeholder per se. Thus, assorted companies around the globe jumped the bandwagon and initiated large-scale social responsibilities projects for communities residing in and around the Industrial complexes. This can also be interpreted as Redefined 'Neo Liberal' Social Contract between three stakeholders: Company, Community and Mother Earth very much contradicting to Hobbesian idea of Social Contract.⁸

BUSINESS HOUSES AND CORPORATE SOCIAL RESPONSIBILITY

The diminishing role of the State in terms of welfare benefits created a space of vacuum for an external agent to be the messiah or hope for the downtrodden in years to come. With United Nations applauding the role of Corporate Social Responsibility in Millennium Development Goals' it became prominent for corporates to facilitate more expenditure towards programs like poverty alleviation, skill development and women empowerment. Similarly it became problematic for many to dissect the role of Corporates into good or evil institutions. To elaborate on this, all these reputed business houses invest a portion of their profits for the well being of

⁸ The parties to this social contact were Leviathan and individuals in State of Nature. Legitimacy could only be drawn from the Leviathan who assured safety and security of his subjects.

the community and nature and at the same time are targeted for floundering legal statutes and environmental laws. Like the case of GAP Inc, a garment company that advertised its Corporate Social Responsibility plans broadly but at the same time was charged of practicing child labor employment and apathetic working conditions. Another reference can be the Coco Cola Plant in Plachimada, Kerala that was accused of water shortage, pollution and discharging wastewater into fields and rivers of the community. Groundwater and soil were polluted to an extent that Indian public health authorities saw the need to post signs around wells and hand pumps advising the community that the water was unfit for human consumption.⁹ In due course of time the shares of the company fell all time low and forcing the company to do swift damage control. The brand suffered a great loss of consumer trust and reputational damage both in India and abroad. The Indian population viewed Coca-Cola as a corporate rogue that cared more about profits than public health. And finally, a proactive CSR policy towards sustainable water resources management altered its fortunes and was back in Indian market to accumulate more. It also appears that this controversy in India was a learning experience for the company and Government, and it motivated other companies to adopt a more active CSR policy on a global scale that focuses on water sustainability policies and practices.

⁹ Pankaj Dodh, Sarbjeet Singhand Ravita. "Corporate Social Responsibility and Sustainable Development in India." *Global Journal of Management and Business Studies* (Research India), 2013.

Four Models of CSR

During this time Milton Friedman's much-celebrated essay launched a scathing remark on Business Houses and their charity works as an 'unadulterated socialism'. He substantiates this argument as corporation is nothing but as group of individuals who have come together to form a corporation. There exists a voluntary contract between corporate executives and stockholders who are the owners of the corporation. And their sole concern is only to accumulate revenues or profits – "The business of business is business".¹⁰ Friedman's comment on business social responsibilities was widely accepted when diabolical nature of Globalization and Neo liberalism started showing its shades when scores of daily wageworkers were employed in sweatshops. On the other hand, R. Edward Freeman argued that social obligation of corporation is to include society directly because corporation and society are direct contractual partners. Therefore, CSR is a constructed social contract between the corporation, person and society. These were the two perspectives that widely dominated the CSR discourse for a long time. There were global giants who persistently indulged in violation of human rights and work ethics but capitalized on their successful CSR projects as image boosters for furthering their strong hold in global economy. Often, positive implications of CSR projects compelled government to legislate weak laws that not only infringed on the Sovereignty of

¹⁰ Milton Friedman, "The Social Responsibility of Business is to Increase its Profits", *The New York Times Magazine*, September'1970.

the State but also openly defying fundamental rights of citizens.

Prior to these two models of CSR, the Indian scenario projects a substantial shift from Ethical (Trusteeship) – Statist¹¹ (License Raj)– Liberal (Friedman) to Stakeholder (Freeman) one. There may be ample critiques who argue CSR has become a competitive feature in the Stakeholder model of the current generation and most of the companies that pursue such activities are disguised dragons who are driven by selfish pursuits. Parallel to this has been the advent of evolving legal discourse that keeps a check on business activities within the demarcated geographical territory.

In short, the evolving models of CSR can be formulated as:

<i>Types</i>	<i>Conception</i>	<i>Advocated by</i>
1. Ethical	Voluntary commitment towards public welfare	Mahatma Gandhi
2. Statist	State ownership and legal statutes determine CSR	Jawaharlal Nehru
3. Liberal	Limited powers to private owners	Milton Friedman
4. Stakeholder	Companies responding to the needs and aspirations of Stakeholder community	Edward Freeman

Legal Discourse on Companies Acts and Locating CSR

Long before India welcomed economic

¹¹ State ownership and legal requirements to determine CSR. Nehruvian Era.

reforms in 1991, there were institutional and legal constraints in business operations. It wasn't easy for business to conduct its operation from its inception; they needed extensive clearances and overcame all obstacles under the permit-License Raj system. To ease woes of business corporations a list of acts were passed that revolved around work ethics and procedures. In 1956, the Companies Act was passed that included both listed and unlisted enterprises. This act states and discusses every single provision requires or may need to govern a company. It compartmentalizes companies based on their differences, constitution, management, members, capital, how should the shares be, issues, debentures, registration of charge and concluding paragraphs of this act elaborate on closure of a company. The economic situation in 2003 influenced Government of India to enact on suggestions received by SEBI¹² for amendments in Clause 49.¹³ The New Clause is based on the principle of ensuring equitable treatment to all shareholders and recognising the rights of all stakeholders in the company. The New Clause is attempting to achieve this object by setting up an effective corporate governance framework within the company and providing for timely and accurate disclosures. Moving forward in the year 2011 and 2014, two significant laws were passed

¹² Securities and Exchange Board of India, a regulator of securities market in India since 1998.

¹³ The two major standpoints of clause 49 were demarcating companies on grounds of Managing Directors and Board of Directions and inclusion of independent directors.

by the Indian Parliament that eased the business procedures in developing economic environment. The Companies Bill of 2011 included Corporate Social Responsibility (CSR) and every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The committee shall recommend the policy for CSR to the Board. CSR should preferably be spent in local areas where the company operates. Consequently, in 2014, the Companies Act clearly stated that 2% of profits have to be dedicated towards CSR activities and failing to do so calls for severe legal attention. No wonder why we end up glorifying or advertising successful CSR projects only to be in good looks of the humungous customer base. Thus the mantra of reputed business houses across the globe can be summed as:

“When the blows there are those who build walls and then there are those who build windmills”.¹⁴

A CASE STUDY OF BILL AND MELINDA GATES SPONSORED PROJECT WITH SUNHARA INDIA

The Sunhara India Project implemented by

¹⁴<http://www.hrzone.com/engage/managers/ten-powerful-quotes-on-csr-from-the-responsible-business-summit-2013>

Agribusiness Systems International (ASI), with a grant from the Bill & Melinda Gates Foundation in 2010, focused on increasing rural household income for 25,000 farmers in seven districts of Uttar Pradesh by facilitating changes in the horticultural value chain. It was designed as a learning project to showcase successful models and capture learning about enhancing access to and better use of inputs, services, and markets by small-scale producers. The project introduced new production practices to increase productivity and new post-harvest practices to increase the value of the vegetables. It also supported ways to bring input suppliers and buyers closer to the farmers, and facilitated farmers' access to a variety of new and existing market outlets. Some of the objectives of this project were: outreach of efficient production, increased market access and development and women empowerment by increasing household income through exclusively women managed farm enterprises, increasing capacity and competitiveness amongst women groups.

The Gender Impact Assessment of the Sunhara India project examines changes in gender relations and women's empowerment. Simultaneously, examined the implications for applying the approaches in other agricultural, economic and value chain development programs and contexts - in India and elsewhere, to achieve inclusive value chain development and women's empowerment.

The findings of this project were notable increase in women's control over their income, mobility, and decision making within the household as a result of their engagement in

the production related activities. There were changes in gender roles and relations among vegetable farmers regardless of whether the project worked initially with men or women, or worked with them together. The project also emphasized the importance of groups in building social capital, increasing access to services such as savings or capacity building opportunities (agricultural training, literacy, etc.), and building economic structures for aggregation to improve market positioning.

Therefore, a large base of unskilled workforce needs to be tapped through Government sponsored scheme like STEP (Support To Training and Employment Program) for women and underprivileged sections of the society. A program like STEP can unleash the potential of a relatively young population by introducing job oriented skills like tailoring, weaving, horticulture, manufacturing and others. Information Technology (IT) can play a crucial role in bridging the gap between the rich and poor and subsequently making them empowered through contractual recruitments in BPO sector by the Multinational Companies. Further, projects like Sunhara India can be replicated in other districts of Uttar Pradesh and Bihar if only the farming practices are improved through better know – how trainings. In addition, India should revamp post-harvest infrastructure and market access by establishing cold storage, improving rural roads, and undertaking regulatory reforms to liberalize the procurement and marketing of agricultural produce.

Looking at the larger context, not many of the reputed corporate houses are willing to

invest their money and energy into traditional agricultural practices and sustaining them in long term. Rather they have to divert their revenues and concern in other domains like education, health, skill empowerment and other projects. The Bill and Melinda Gates in collaboration with Sunhara India project comes as a gleam of confidence for many at a time when there is retraction of welfare arm of the State. Currently, Bill and Melinda Gates Foundation is under Government scrutiny due their illegal testing of medicinal injections on tribals. This has definitely dashed their hopes of working for neglected community and created an impression of a ‘Corporate Villain’ in political circles. Moreover there exists convergence between these multiple agencies like NGO’s in order to achieve the ultimate set of goals and adopt a holistic approach for fulfilling them. The very existence of multiple institutions responsible for providing amenities to the targeted communities is undercutting the grounds on which state promises shoestring budget of welfare. There might be decentralization of jobs and responsibilities between these foreign and domestic NGO’s but at the end of the day jagged pattern of development shows diverse results. As most companies follow an orthodox trajectory by granting aid to family foundations and lack of social capital in other institutions ensues into monetary deficits and subsequently failure in check listing the boxes. Presently, the Modi led ‘Swacch Bharat Abhiyan’ (Clean India) campaign are passionately picked up by Public and Private sector companies; it only implies that CSR is here to stay for long. It can also be

perceived as the light at the end of tunnel that guarantees to do away with poverty, hunger and unemployment with measures like skill enhancement, women empowerment are few to name. The current government may be classified as “pro corporates” but in unison it can investigate the roles of foreign NGO’s in fostering communal disharmony and social prejudices.¹⁵

In conclusion, I had like to argue that our nation lacks comprehensive assessment agencies that determine failure and success of CSR projects. Global giants tend to give well acclaimed self certificates and publicizing them at great length, to counter such appraisals Government need to establish agencies that keep a tap on CSR progress reports. And lastly, most of the social responsibility plans are formulated in the head offices with selected and experienced board of directors unaware of the intensive geographical, social and political dynamics of a particular region- a top to down approach is recommended. Thus, definitely CSR has become an ideal way of giving back to the planet and people and gradually doing away with sins or guilt pangs for the big business houses. Not the only the fact people applaud the generous nature of Corporates but they subtly help in contributing to impending India’s development narrative. For now, one can only say that CSR will be seen as both development and business tool for the Nation and Corporates at large. The competitive feature of global giants and CSR

¹⁵Ford Foundation social programs in Gujarat are under Government scanner as it promoted religious disharmony and social prejudices.

can be a boon for welfare, development and empowerment in developing nations of the world.

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