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Indian Corporate Social Responsibility: From philanthropy to assessing the sustainability of business and society

Indyjska Społeczna Odpowiedzialność Biznesu: od filantropii do oceny zrównoważonego rozwoju biznesu i społeczeństwa

Abstract: India Corporate Social Responsibility (CSR) has undergone significant changes in the past three years. Their driving factors are regulations and financial institutions requirements: the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business [2011], the Security Exchange Board of India clause 55 [2012] and the New Company Act section 135 [2013]. Indian CSR appears essentially about what is done with corporation profits. It means engaging directly with local communities, identifying their basic needs and integrating them with business goals. The top major themes area for Indian CSR initiatives are community welfare, education, health care and rural development. This chapter presents the historical tradition of CSR as corporate philanthropy in India. After a presentation of the new legal framework and recent institutional developments, it analyses their implication on CSR reporting and organizational challenges for Indian companies especially SMEs.

Keywords: Corporate social responsibility, Indian corporations, Corporate philanthropy, ESG reporting

Abstrakt: W ostatnich trzech latach Corporate Social Responsibility (CSR) w Indiach podlega ciągłym, znaczącym zmianom. Determinantami tych zmian są przepisy i wymagania dotyczące prowadzenia instytucji finansowych: the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business [2011], the Security Exchange Board of India clause 55 [2012] oraz the New Company Act section 135 [2013]. Indyjski CSR traktuje zasadniczo o przeznaczeniu zysków korporacyjnych. Oznacza to bezpośrednie zaangażowanie się w funkcjonowanie lokalnych społeczności, identyfikację ich podstawowych potrzeb i integrowanie ich z celami biznesowymi. Głównym obszarem zainteresowania dla indyjskich inicjatyw CSR są: dobrobyt społeczności, edukacja, opieka zdrowotna i rozwój obszarów wiejskich. Artykuł przedstawia historyczne uwarunkowania CSR jako filantropii korporacyjnej w Indiach. Po prezentacji nowych ram prawnych i ostatnich zmianach instytucjonalnych, analizuje ich wpływ na sprawozdawczość w zakresie CSR i wyzwań organizacyjnych dla indyjskich przedsiębiorstw, szczególnie MŚP.

Słowa kluczowe: odpowiedzialność społeczna biznesu, indyjskie korporacje, filantropia korporacyjna, raportowanie MŚP

Introduction

In purchasing power parity (PPP) terms, India is now the world's third largest economy – surpassing Japan¹. The 1950 Constitution insures the right to adequate nutrition, health and livelihood. However, the Indian State has not succeeded in delivering its promises of 'inclusive growth and social justice'². In recent years, India has enjoyed consistently high rates of growth and a steady improvement in human development. However, even as the world's largest democracy remained resilient in the face of the global economic crisis, the country faces a critical challenge similar to several other BRICS – high growth has been accompanied by persistent poverty and inequality. Indian growth can be described as jobless growth with limited movement of labour out of smallholding agriculture or self-employment. Despite a decade of high economic growth, India tops the list of countries with the largest share of global extreme poor, according to the United Nations Millennium Development Goals (MDG) report for 2014. India may not be able to fully achieve the Millennium Development Goals (MDGs) ratified by the United Nations with regard to health and nutritional indicators. The incidence of extreme poverty has fallen significantly in India since 1970. India is on track on MDGs target of reducing the number of people whose income is less than one dollar a day, between 1990 and 2015. The national Millennium Development Goal (MDG) Report released in 2011 reveals that India is on track for achieving targets on poverty reduction, education, and HIV at aggregate levels. But much work remains to be done in reducing hunger, improving maternal mortality rates and enabling greater access to water and sanitation targets as well as reducing social and geographic inequalities in achieving these targets. Further, rising gender inequality continues to hamper progress on development goals. Women continue to be excluded in social, economic and political domains. Home to 1.21 billion people, India's lack of progress affects the global achievement of the MDGs³.

India CSR yesterday and today

The concept of CSR is not new in India. Since the late 1800s social responsibility of companies is rooted in a well-established tradition of corporate philanthropy and the Gandhi trusteeship model. Philanthropy is the practice of doing well for one's fellowman. It is not a relationship – therefore corporate philanthropy often does not have stakeholder's interaction and responsibility as a focus, unlike CSR. Historically, the philanthropy of business people in India has resembled Western philanthropy in being rooted in religious belief. Merchant's charity took various forms, such as treasure chests for the needy, providing relief in times of famine or flood, provision of drinking water, building temples, water

¹ International Bank for Reconstruction and Development / The World Bank. Purchasing Power Parities and the Real Size of World Economies: A comprehensive report of the 2011 International Comparison Program. Washington DC 2015.

² S. Corbridge, J. Harriss, C. Jeffrey, *India Today: Economy, Politics & Society*. Cambridge, Polity 2013, p. 100-117.

³ <http://www.in.undp.org/content/india/en/home/countryinfo/>

tanks, wells, ponds, supporting schools, etc. Merchants gave for charity both individually and collectively through their business and social organization. Historically people in India were brought up in an environment founded on the belief that giving is good. Religion and charity have always been linked. Before India's independence in 1947, businessmen made significant contributions to schools, hospitals, and rural development. Indian CSR has had a major influence on business, government, and society relationships. After independence, large public sector companies carried out state-sponsored CSR activities. Companies like Tata Steel were very involved in trying to tackle many social problems even before the term CSR formally entered the vocabulary of management texts. Its founder Jamsetji Nusserwanji Tata was more a nation-builder than a businessman seeking profit⁴.

During the XXth century the ethical model of Gandhi focused on "voluntary commitment by companies to public welfare" was a reference. CSR, although an imported western management concept, was conceived as part of Mahatma Gandhi cultural heritage with the trusteeship model where wealthy people would be the trustees of trusts that looked after the welfare of the people in general⁵. For Gandhi, *trusteeship* was a means of transforming the present capitalist order of society into an egalitarian one. It did not recognize any right of private ownership of property except what is permitted by society for its own welfare. This did not exclude legislative regulation of the ownership and use of wealth. Since Mahatma Gandhi enjoyed close relations with several chief executives of Indian corporations, many of India's older companies implemented Gandhi's philosophy in their mission statements. Today there is a loose interpretation of Gandhi ethics by Indian corporations involved in philanthropy, with corporate leaders as trustees and adherence to religious-social values. But for Gandhi the rich should keep maximum twenty percent of profit for themselves and pour back eighty percent into the society. Yet the prevailing CSR discourse in India continues to draw parallel between CSR and the trusteeship model in order to get its legitimacy and public acceptance⁶.

Gandhi ethics competed with the Statist model of Nehru where "state ownership and legal requirements determine corporate responsibilities" were written into official State policy, albeit diluted and non-enforceable. Nehru's priority was building the newly independent nation into the leader of the Third World. Thus, the State adopted a mixed plan economy, where industries deemed crucial to development were reserved for public-sector companies, and private firms were put under tight regulations. This was a technocrat and industry oriented system, rather than the indigenous-based knowledge Gandhi had envisioned⁷.

⁴ J.A. Arevalo, D. Aravind, *Corporate social responsibility practices in India: approach, drivers, and barriers*, "The international journal of business in society", No 11(4) 2011, pp. 399-414.

⁵ "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". M.K. Gandhi, Compiled by Ravindra Kelekar, *Trusteeship*, April 1960.

⁶ S. Sharma, *Corporate Social Responsibility in India - The Emerging Discourse & Concerns*, "The Indian Journal of Industrial Relations", No 48(4) 2013, p. 582-596.

⁷ R. Mitra, *My Country's Future: A Culture-Centered Interrogation*, "Journal of Business Ethics" 2012, p. 131-147.

The liberalisation of the Indian economy in the 1990s led to a fundamental shift from the philanthropy-based model to a multi-stakeholder approach whereby companies are deemed responsible for all stakeholders, including financial stakeholders, employees and the community. The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations. The liberalization of the economy also led to the increased presence of MNCs on Indian soil, which thereby exposed India to a highly developed regime of CSR initiatives. Additionally, a strong desire to compete and succeed in the global economy drove Indian business enterprises to integrate CSR into a coherent and sustainable business strategy. These enterprises, both public and private, have realized that their long-term success depends on the satisfaction of their stakeholders, and that ignoring them could jeopardize the company's future prospects in the community⁸.

For the past ten years what is new with Indian CSR is the way it has caught on with Indian corporates and the direct involvement of employees in the implementation of these projects. The concept is taking new dimensions with more and more companies encouraging and also involving their employees in the numerous social activities and ventures being undertaken in collaboration with NGO groups and voluntary organization. Dedicated departments in most organisations are looking into much more than just funding or getting involved in one-time projects. Earlier, Indian corporations were predominantly family owned, so it was more of a desire by the families. Institutes like the Tata Memorial Hospital, Birla Institute of Technology and Science (BITS), are a few of the examples of such work undertaken by the corporates. However, in the present scenario all major companies are following the practice. A large number of public and private sector organisations have their own foundations, which work in close association with NGO's and the government. Together they tackle a lot of local and public issues.

There is little difference in the CSR practices of Indian companies and MNCs in terms of importance or focused areas of CSR. Both companies in India are adopting CSR practices of environmental marketing, sustainable development, local community support, and transparency and accountability. In fact MNCs are adopting almost the same CSR practices as those adopted by their counterpart Indian companies. Thus, MNCs are adhering to the prevailing business practices in host countries⁹.

The CSR agenda is also set through industry associations. The Confederation of Indian Industry's (CII)¹⁰ and the Federation of the Indian Chambers of Commerce and Industry's (FICCI)¹¹ are both engaged in defining CSR in a comprehensive approach with a multi-stakeholder focus. Both organisations have

⁸ S.G. Sharma, *Corporate Social Responsibility in India: an overview*, "The International Lawyer", No 43(4)2009, pp. 1515-1533.

⁹ N. Mahabir, S. Rajinder, *Corporate social responsibility practices India: a comparative study of MNCs and indian companies*, "Social Responsibility Journal", No 9(3) 2013, p. 465-478.

¹⁰ <http://www.cii.in/>

¹¹ <http://www.csrfcfe.org/index.htm>

dedicated structures to ensure that the benefits of economic growth are available to people living in poverty, to facilitate the image of industry as a concerned group for all round community development, and to build a strong partnership across sectors for better governance and empowerment. FICCI sets up a dedicated structure to give companies advice on how to engage with society and bring about improvement in the environment in which they function. FICCI's CSR activities cover health, education, gender issue, child labour, substance abuse prevention, rebuilding and rehabilitation and training programmes for regional chambers of commerce and corporate houses. CII's CSR focuses on community development, disaster management, education and literacy, population and health, disabled people, vocational training, women's empowerment and substantial livelihood programmes.

TATA CSR tradition

The Tata group's diverse approach towards CSR is designed to meet the needs of the environment as well as of the community. They believe in making an individual self-reliant rather than offering mere monetary assistance. CSR has been part of the Tata Group ever since the days of Jamshetji Tata. Ages ago when the idea of social responsibility by the corporates was either the government or charitable organisations responsibility, the Tatas aggressively worked for the uplifting of the community. Tata initiated various labour welfare laws, like the establishment of a Welfare Department in 1917, enforced by law in 1948 or Maternity Benefit introduced in 1928 and enforced by law in 1946. Over the years, the Tata philosophy to 'give back what you get' has been followed by all their enterprises across India. The kinds of social activities introduced by the Tata Group have been relief measures, rural development, health care, education and art and culture, etc. In addition, there are special programmes for the welfare of women, rehabilitation projects, etc. Every year, the Tata Group's contribution to society has been phenomenal. In the fiscal year 2004 Tata Steel alone spent Rs 45 crore on social services. Different Tata companies have been actively involved in several kinds/types of social work. Like Tata Consultancy Services which runs an adult literacy programme, Titan has employed disabled people in the blue collar workforce at Hosur, Telco is fighting against Leprosy at Jamshedpur, and Tata Chemicals run the rural development programmes at Mithapur, Babrala and Haldia.

An Indian law on CSR: Clause 135 of Companies Act 2013

India is among the very few countries that have legislated CSR as a mandatory activity for corporations. The Ministry of Corporate Affairs (MCA) introduced the Corporate Social Responsibility Voluntary Guidelines in 2009. These guidelines have now been incorporated within the 2013 Act and have obtained legal sanctity. Section 135 of the 2013 Act, seeks to provide that every company having a net worth of 500 crore INR, or more or a turnover of 1000 crore INR or more, or a net profit of five crore INR or more, during any financial year shall constitute the corporate social responsibility committee of the board. This com-

mittee needs to comprise three or more directors, out of which, at least one should be an independent director. The composition of the committee shall be included in the board's report. The committee shall formulate the policy, including activities specified in Schedule VII, which are as follows:

- Eradicating extreme hunger and poverty
- Promotion of education
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
- Ensuring environmental sustainability
- Employment enhancing vocational skills
- Social business projects
- Contribution to the Prime Minister's National Relief Fund or any other fund set-up by the central government or the state governments for socio-economic development and relief, and funds for the welfare of the scheduled castes and Tribes, other backward classes, minorities and women
- Such other matters as may be prescribed.

The companies CSR Rules, 2014 [GSR 1299(E), 27-02-2014] provide a number of clarifications:

- Only CSR activities undertaken in India will be taken into consideration
- Activities meant exclusively for employees and their families will not qualify
- The company can implement its CSR activities through the following methods:
 - Directly on its own
 - Through its own non-profit foundation set-up so as to facilitate this initiative
 - Through independently registered non-profit organisations that have a record of at least three years in similar related activities
 - Collaborating or pooling their resources with other companies provided they report separately on such projects
- A format for the board report on CSR has been provided which includes amongst others, activity-wise, reasons for expenditure under 2% of the average net profits of the previous three years and a responsibility statement that the CSR policy, implementation and monitoring process is in compliance with the CSR objectives, in letter and in spirit.
- The Board of Directors shall disclose the content of the CSR policy in its report and display it on the company's website.

Although activities specified in the Schedule are not elaborate or detailed enough to indicate the kinds of projects that could be undertaken (environment sustainability or social business projects could encompass a wide range of activities) the "comply or explain principle" is enforced. If the required fund is not spent

on CSR activities, an explanation for the reasons thereof would need to be given in the director's report¹².

The Companies Act of 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship with its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. In many ways, the Companies Act seeks to mitigate the evils of unbridled capitalism by forcing companies not only to be transparent and accountable for their operations, but also to share the responsibility of nation building with the government. Companies can contribute more than just funds for social development, given the talent, skills, and management systems companies possess for delivering more efficient outcomes. The Act has provided an opportunity for companies to contribute these and shown the path to be followed. However, the time line for compliance was very short (April 2014).

With an estimated 8,500 companies falling under the minimum CSR spend mandate, a large pool of money is going to be generated. The amount of funds to be spent annually on CSR are estimated at around INR 30.000-40.000 crores. The provision of the Companies Bill 2013, which stipulates minimum spending by certain companies on corporate social responsibility activities, has been widely criticised. The main criticism is that CSR is voluntary by nature and cannot be made mandatory; mandatory CSR spending is nothing but disguised taxation; the implementation of the law will be a nightmare and no enforcement mechanism is scheduled; it will create additional administrative burdens that will hurt investment in R&D and Human Resources development¹³. Moreover, they argue that defining the activities that count as CSR stifles the innovative ways in which companies can spend for societal good. Others argue that social responsibility should be assessed based on the way businesses address the social impacts of their core operations, not on the basis of how much they spend on activities unrelated to their core business¹⁴. Others focus from business actions to the stakeholders impacted by the actions. Specifically, we argue for a particular approach that accords rights to all the stakeholders, including the shareholders, employees, and communities.

CSR Disclosure-Institutional factors

India corporate CSR reporting has undergone significant changes in the last 3 years. Their driving factors seem to be regulations and access to capital. Regulatory developments over the past two years have set the momentum for higher quality reporting in India:

¹² PWC. *Handbook on Corporate Social Responsibility in India*, Gurgaon: PWC India 2013.

¹³ R. Venkatesan, *Ordering Corporate Responsibility: A Misplaced Faith?* "Economic & Political Weekly", XLVIII(38) 2013, pp. 26-28.

¹⁴ A. Maira, *India's 2% CSR Law: The First Country to go Backwards*, "Economic and Political Weekly", XLVIII(38) 2013, pp. 23-25.

- The New Company Act of India section 135 on CSR, and the Rules GSR 129 [27-2-2014] which specifies that the Board Report of eligible companies shall include an annual report on CSR. This report will detail CSR spending during the financial year and give details on amounts spent directly or through implementing agencies.
- National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business (NVG-SEE), published by the Ministry of Corporate Affairs in 2011. It provides principles on ethics, transparency and accountability, implementation guidelines and offers a business responsibility reporting framework.
- The Security Exchange Board of India in a new clause, 55, makes business responsibility reporting compulsory for listed companies. They shall submit as part of their annual report, a business responsibility report describing the initiatives taken by them from environmental, social and governance perspectives. To begin with, it has been made mandatory for the top 100 companies in terms of market capitalisation to submit their Business Responsibility Reports. For the others, it is still a voluntary disclosure and reporting at this stage, but from the discernible trend-setting it appears that it would be made mandatory for other companies also in a phased manner.
- Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises came into effect on 1st April 2013. They apply to the 248 CPSEs under the administrative control of various ministries/state departments as of 31 March 2011, among them 44 listed companies. They require sustainability reporting and disclosure and also impact assessment.

Rating agencies are rapidly developing their activities in India. SOLARON, Indian founded in 2006, is a big data and cloud-based rating agency which offers ESG (environmental, social and corporate governance) services to international institutional investors¹⁵. MSCI India ESG Index, based on data from MSCI ESG Research, is a capitalization weighted index that provides exposure to companies with a high ESG performance relative to their sector peers. Among its top constituencies are INFOSYS, HOUSING DEV FINANCE CORP, RELIANCE INDUSTRIES, TATA CONSULTANCY, SUN PHARMACEUTICAL IND, HINDUSTAN UNILEVER, MAHINDRA & MAHINDRA. Since 2008 the S&P ESG India Index sponsored by the International Finance Corporation (IFC) 2008 measures ESG practices. This index comprises 50 companies whose business strategies and performance demonstrate a high level of commitment to meeting environmental, social and governance standards. These companies are drawn from the top 500 companies (by market capitalization) listed on the National Stock Exchange, which are subjected to a screening process and yields a score based on a company's ESG disclosure related practices in the public domain.

We can anticipate an increased awareness of ESG management and disclosure strategies among businesses outside the top 100 listed companies. Driven largely by a desire to differentiate their firm and prepare for a future mandate is likely to extend the Business Responsibility Report requirement to more listed companies. Larger corporations will work with their suppliers to develop man-

¹⁵ <http://www.solaronworld.com/>

agement strategies aimed at mitigating supply chain risk and disruption. Smaller businesses will increasingly adopt enhanced disclosure (labour, land, resource consumption, etc.) in response to this demand. One of the issues is to what extent the presence of the formal Business Responsibility Report will refine the conversation and differentiate ESG from CSR (i.e. philanthropy). How will companies manage the transition from CSR as a philanthropic action, to ESG and sustainable shared value creation as a core tenet of how they operate?

Quality of Indian CSR Reporting

CSR disclosure of Indian companies emphasize “in-house training programmes” and “sponsoring public health projects/medical camps” in community development and HR categories respectively. Indian CSR is driven by the theory of legitimacy. Some burning global issues like water usage, alternative sources of energy, product safety and innovation have not received adequate attention until now¹⁶.

The KPMG India Corporate Responsibility Reporting 2013 of the top 100 Indian companies (by gross revenues for the financial year 2012-13) shows that:

- 73 per cent of India's N100 companies have some amount of CR disclosure. 45 per cent use standard frameworks for CR disclosure. 31 per cent of India's N100 comprehensively reports on CR through separate reports.
- The Information Technology (IT) sector is among the leading sectors with all N100. IT companies producing separate CR reports, while the Financial Services sector lags behind with no separate CR reports.
- The average quality score for all CR reports is 42 out of a possible 100, indicating that there is a need to significantly improve the quality of CR reporting in India.
- IT companies have the best quality reports in India with an average score of 64, while the Pharmaceutical sector has the lowest average score of 20.
- Indian CR reports tend to have relatively better disclosures on the stakeholder engagement process and the least disclosure on supplier and value chain impacts. Disclosure on supply chain social and environmental impacts is very low among India's N100 CR reporters with 71 per cent of reports not having any discussion on these impacts.
- 29 per cent of the reports have defined targets covering more than half of the identified material issues and 23 per cent reports disclose targets for less than half of the identified material issues. 19 per cent of the reports identify some targets but linkage of those targets to material issues is not well established.
- CR moves up to the Board level but needs more resources at the execution level: Relatively fewer CR reports (71%) identify individual / function responsible for day-to-day CR management compared to the ultimate responsibility at an apex level (81%), indicating that the ownership of CR management at the execution level is not well defined in some companies¹⁷.

¹⁶ M. Kansal, S. Singh, *Measurement of corporate social performance: an Indian perspective*, “Social Responsibility”, No 8(4) 2012, p. 527-546.

¹⁷ KPMG, India Corporate Responsibility Reporting Survey, Delhi: KPMG India 2013.

New CSR Challenges for Indian Companies

The implementation of the Companies Act Section 135 requires that Indian companies set up a project in order to deal with the strategic, operations and governance questions it raises. At the strategic level several questions have to be considered: CSR actions have to be chosen to make business sense and differentiate the corporation from its competitors; a sustainable programme focused on internal stakeholders might be expanded to benefit the larger community; tax implications of CSR action related expenses have to be analysed; the risk of negative feedback from external stakeholders resulting from CSR public reporting have to be managed; fund pooling and collaboration has to be envisioned to increase CSR action impacts on the community. The projects should be structured in order to organise the following actions:

- Identification of the legal entities of the corporation covered under section 135 of the Act.
- Form a Board-level CSR committee with adequate time availability, motivation and competencies.
- Assess the alignment of existing CSR activities to Schedule VII of the Act.
- Assess the current allowable expenditure on CSR and how much more the company needs to spend.
- Document the CSR policy and develop a programme to operationalize it. This implies selecting a legal structure for the company foundation and due diligence analysing the risks and the benefits of working with a potential implementation partner.
- To formalise the project would sometimes require finalising arrangements with an implementing agency.
- Develop a monitoring system to ensure implementation of activities and use of funds according to CSR policy.
- Measure the impacts of the development projects which take time to manifest.
- Consolidate reporting and communicate according to the rules of the Ministry of Corporate Affairs.

The CSR clause of Companies Act 2013 poses two main challenges, (1) acquiring human resources with the requisite knowledge and skills to manage CSR programmes, and (2) controlling the proper utilisation of the large amounts of money to be devoted to such activities. It has been estimated that at least 50,000 more professionals with knowledge and skills in CSR work will be required. Fulfilling the CSR mandate entails trained professionals with skills to manage a CSR programme within the company, but also outside the company, and in NGOs and other institutional partners. Since the Act requires that a company's CSR funds should be spent on various social projects, primarily in the local communities around the company's operations, it will also lead to an increase in demand for skilled and unskilled workers in a variety of fields, such as construction workers for afforestation and water conservation projects, schools and hospitals; for teachers, paramedics, agricultural scientists who are not in the core competencies of most Companies. They will look for NGOs to partner them in undertaking social development and joint-project management skills will be required.

The biggest challenge will be for SMEs. Embarking on CSR, structuring the activity is not easy as it involves overheads and compliance costs. SMEs in India employ close to 40% of India's workforce and contribute 45% to India's manufacturing output. SMEs play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SMEs account for 40% of India's total exports¹⁸. They serve independently or are ancillary to larger corporations. While revenue available for CSR with individual SMEs is expected to be small they can pool their resources in a specific geographical cluster to create a sizeable CSR fund. Collaborating for CSR activities will maximise their impact while reducing the operational costs for fund management. Up to now SMEs preferred charity donations. Collaboration between SMEs of the same cluster can contribute to offset variance in resource allocation and help in engaging longer term projects that will have a greater impact than short term donations. Furthermore collaboration between Indian SMEs will help in assessing the community needs, undertaking the relevant programme; based on learning from shared experience. Large companies, on the other hand, often already have foundations or trusts in place to channel CSR initiatives. SMEs are either looking to undertake short-term CSR in-house activities by appointing designated employees or using third-party implementing agencies. Certain smaller companies have been fulfilling CSR obligations by making donations to the PM's Relief Fund, thereby avoiding overhead and compliance costs.

For Michael Porter, Corporate Social Responsibility (CSR) initiatives and philanthropy are not the most important effects of business on society. The problem with CSR is that it is not "self-sustaining". The way business affects society most is through business. These include the way companies produce, the raw materials they use and the way they create and put together better infrastructure in communities they do business in. Despite the "grey areas" in the implementation process, the new government of Narendra Modi elected in 2014, seems to be ready to keep on this track of compulsory investment in CSR actions. The major issues to be controlled are corruption risks and the efficient use of all the money that will flow to civil society organisations.

Summary

We observed that while sharing much in common with other countries in a globalised economy, India CSR has its own organic growth. Foreign influences have played a major role in making Indian business more responsible especially in sectors such as information systems where it has a world leadership to legitimize also from a social perspective. While India has its indigenous tradition, practices from western liberal economies have an improving effect. Progressively CSR practices that took more than 15 years in the European Union countries to be adopted, are spreading at a faster pace in India. Sustainable development linked to inclusive development, evaluation and metrics to the India business community are developing with governmental and financial institutions support.

¹⁸ http://articles.economicstimes.indiatimes.com/2013-06-09/news/39834857_1_smes-workforce-small-and-medium-enterprises (Jun 9, 2013).

The idea of extending CSR to the whole supply chain is the next challenge ahead especially for small and medium size suppliers of larger companies. If large sections of the business community are charitable at a personal level, they are now compelled by the law to fully subscribe to the concept of corporation contribution to the 'public good'. Indian Business people are guided more by self-interest than by pure altruism, however in the past, as for the Independence struggle, they were able to raise themselves to the national challenges. We can expect the same type of contribution to the national environmental challenges that contemporary India is facing today.

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