

STATE AND SOCIAL RESPONSIBILITY OF THE CORPORATE: ANALYSIS OF THE ROLE OF STATE IN INDIA

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Abstract *The present article aims to underscore the role of state in developing the context within which corporate social responsibility (CSR) has emerged in India. The paper traces the trajectory of the Indian economy through the five year plans which were considered to be its backbone and which have now been jettisoned. In addition, it takes a critical look at the public rhetoric of the political class to justify CSR in India. The analysis shows that Indian state since Independence has been dominated by the bourgeoisie class and hence even while focusing on planned development, it continued to create pockets of want in the social sector which have eventually been used to provide justification for the mandated CSR in India. The state had neglected the social sector throughout the plan periods. With the onset of privatisation, liberalisation, and globalisation under the structural adjustment in India, the involvement of state in social sector was likely to reduce further. The state therefore pushed for mandatory CSR to fill the likely gap and the political class of the country provided necessary rhetorical justification for the same.*

Keywords *Government, CSR, Five year plans, Globalisation, Development, State, Political Economy*

INTRODUCTION

The brand India CSR has become a discussion point both within and outside India. However, this brand India CSR can only be understood within the political economy of the country. In other words, the fact that India has become the first country in the world that has brought in mandatory CSR through the Company's Act 2013 can only be understood in the context of the active role played by the state in facilitating the corporate houses, whether from India or abroad; a facilitation which has enhanced inequality in India. Unlike Europe and America where the liberalisation wave impacted these countries when their human resource development had reached acceptable levels, the Indian state is carrying forward its liberalisation agenda within a society whose massive base comprises the poor and the marginalised, illiterate, undernourished, and unemployed. In this context, an economic model that relies on trickle down approach and creates employment for only those who have the required skills is bound to further widen the gap between the rich and the poor. Increasingly the state has become bolder in tempering with the social security and labour laws which it was hesitant to touch till now. While a state is a superstructure that facilitates the economic base of the society; however, no state can blatantly ignore its subjects especially if its governance structures require that the state gets the mandate to rule from the people every five years. So is the case with the Indian state. In its race to hit the bottom as far as laws relating to labour, corporate, environment and

land are concerned, the state has adversely impacted the security of vast majority of Indians. In order to cushion the negative effect, CSR is an excellent tool both for the state to meet its development agenda and for the corporate to carry on economic activities without major unrest.

The present article therefore aims to demystify the role of the Indian state in the context of CSR. The paper is divided into four sections. First section provides a brief insight into the methodology used in analysing the data collected from secondary sources such as the five year plans and the speeches of the political class. Second section reviews the relevant literature. Third section elaborates on the political economy of India since Independence. It traces the pattern of economic and social spending by the state through the analysis of five year plans. Fourth section concludes by positioning the state with respect to emergence and strengthening of CSR in India in the backdrop of the public rhetoric on CSR by the political class to facilitate its acceptance.

METHODOLOGY

The paper considers political economy as the context within which brand India CSR has emerged. The arguments are built within the framework that positions the role of the state in developing countries to be starkly different from that in developed world. In a democratic state, the government must echo the needs and aspirations of its people. If the majority of people are located on the margins of the society, then the state and its instruments of control or facilitation should

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direct themselves towards these people and not towards the economically powerful. When the state and its paraphernalia gear their policies towards facilitating the rich and yet need peoples' endorsement for such policies, then it has very limited options and CSR, as has been conceptualised and standardised in India, is one such option.

The present article has relied on secondary sources of data for building the arguments. The data such as the five year plans of the Government of India, the Company's Act, 2013 and the public statements of the political class have been analysed with the help of a desk review guide.

REVIEW OF LITERATURE ON POLITICO-ECONOMIC CONTEXT AND CSR

CSR, as the term is understood and applied across the globe has its origin in the West. The agenda for the discourse is set by the intellectuals, academicians and the business houses in the West. International agencies such as United Nations and Global Reporting initiatives even when they claim representation from all countries have set guidelines for international reporting on responsible business through the reference point of the west. However, the debate on the responsibility of the business is very old and has existed within the prevailing political and economic context of that time. The Harvard Business Review as early as 1929 had discussed the social responsibility of the business. These were the times of great economic depression and poverty and unemployment were the norm. It was being feared that if the business houses did not show social concern then the society would go back to feudalism or face revolution (Donham, 1929). The second period that needs highlighting is that of the cold war. This was the time of great battle between two competing ideologies -- Communism and Capitalism. Communism with its ideological position of an equal and classless society saw no role for state in a society of free, socialised individuals who worked for the collective good of all. Capitalism also did not allocate much role to the state in running the economy though it expected the state to create environment and rules to facilitate business. It also advocated for free and competitive institutions that were run and managed by competitive individuals who worked for their individual benefit and satisfaction. While individual focus and orientation was valued; it was felt that the objectives of the individuals could be met only when they could be identified with common good (Abrams, 1951). The advocacy of CSR was thus a mechanism used to link the individual profits with social concerns. It was one of the instruments used in the war against communism in the economic sphere since the only way socialism and communism could be stopped was by exhorting the corporate to take on "public responsibilities" and also taking care of

the broader societal interests (Davis, 1973). Thus the social responsibility of the business was redefined within the larger political and economic context which necessitated that the ideological assault on the values of the West as symbolised by the Soviet Union be checked through the spread of the free market values and by opening trade with economically poorer regions. The business through these efforts could lay claim to being an agent of worldwide benefit and in a way which would also benefit them (Spector, 2008). With the onset of globalisation, the framework for understanding and rationalising CSR has again changed. Increasingly, business houses are being considered and projected as the solution to the problem of global regulation and public goods. With globalisation, the framework of rules under which business is conducted has changed. Hence, business is being expected to take on additional political responsibility to contribute to the development and global governance (Scherer, Palazzo & Baumann, 2006). Thus, it can be concluded that the acceptance or rejection of CSR and its extent and limits depend upon the political economy of the state.

The legal framework and policies laid down by the state play an important role in facilitating the interest of the business and safeguarding the society from its negative impact. This role is dependent on the willingness and ability of the state to position itself in a such a manner that it is seen as being fair. The relation of the state with business and the society, however varies amongst countries more so in this globalised context. The state in this new context is largely seen to be keen to give up its power to intervene and implement sanctions in situations where business adversely affects society. On the other hand, the state is seen to introduce flexibilities in its laws to attract big business and foreign investments (Garvey & Newell, 2005). The Indian state has openly demonstrated its unwillingness to stand against big network of multinational corporations to protect communities (Sharma, 2014). The cases of Coca Cola and Union Carbide in India stand witness to this argument (Ravi Raman, 2007). In the emerging context, the Indian state finds it comforting to push the CSR agenda to suit the prevailing political and economic conditions.

INDIAN ECONOMY SINCE INDEPENDENCE

The Indian state adopted mixed economy after Independence with a focus on import substituted industrialisation. The state took complete responsibility for the core economic sectors and the private sector was regulated through licensing. The entry of foreign capital and companies was discouraged. What is now celebrated in the international circles as intrinsic CSR (see Matten & Moon, 2009) was rigorously pushed by the Indian state through stringent labour laws and the corresponding obligations of the business world. While

the class character of the ruling elite in India was that of the bourgeoisie, the socialist influence on the bourgeoisie leaders such as Nehru, the first Prime Minister of India was manifested in the planning process through the five year plans that the government initiated in 1952. The state also took upon itself the task of protecting the workers in the organised sector and the public sector undertakings were projected as model employers.

While the business houses in India have been known to be benevolent, however, the state started to push them for a role beyond their economic engagements as early as 1961 when it initiated tax relief in the Income Tax Act, 1961 for the financial contribution of the corporate in rural development. Many business houses headed towards rural development initiatives to get tax rebate (Mitra, 2007).

Since the beginning of the planned economy in India, the state had shown its inclination towards the revenue generating sector. However, it had continued to push both the economic and social sector. It was over a period of time that the state started to liberalise and change its policies and laws to give push to rapid industrialisation. During this process it created pockets of deprivation which have now become one major justification for the mandatory CSR. The discussion below takes a critical view of the five year plans till date.

Political Economy of India from Independence up to Fifth Five Year Plan (1947 to 1979)

Just before independence there were debates on the economic system that India should follow post-Independence. The industry in 1944-45, came out with a plan for economic development in India commonly known as the Bombay Plan. This plan proposed an effective public-private partnership to address the development needs of the country. The plan conceded an important role to the public sector to hasten economic changes in the country (Mitra, 2007). The first industrial policy resolution of 1948 advocated a flexible distribution between the public and private sectors in which the weapons industry, atomic energy and the railways were the responsibility of the state. Sectors such as coal, iron, steel, aeronautics, oil and telecommunications were seen to be dependent on public authorities for their future development with the participation of the private sector (Mitra, 2007). To ensure rapid development, India adopted planned economy and constituted the planning commission. In 1951 the first five year plan was announced.

The First Five Year Plan (1951-56)

The first five year plan (1951-56) was launched just after independence. It focussed more on agricultural development

since majority of the population was dependent on agriculture. However, there was an acknowledgement that in an underdeveloped economy, agriculture and industrial sector should grow simultaneously for the holistic development of the country (Planning Commission, 2014). The actual expenditure during the plan period on income generating sector was 75.86% while the social sector expenditure was 24.08% of the total expenditure (Mitra, 2007) (for detail see Table 1). The state policies during the first plan were based on simple need based approach. After the success of the first plan the state initiated the strategic efforts to promote industrialisation and in 1956, the state announced its second Industrial Policy Resolution. This resolution firmly entrenched the role of the state in the Indian economy. The social sector was directed by the state though private sector was functional in delivery of services largely in the field of education and health.

The Second Five Year Plan (1956-61)

The second five year plan focussed on increasing the national income by 25% over the period of five years and to increase the employment opportunities so as to absorb the increased labour force and to move forward in the direction of industrialisation. A major part of the plan outlay was directed towards industrialisation (Planning Commission, 2014). Out of the total actual expenditure of Rs. 4,671.80 crores, the expenditure on revenue generating sector was 81.68% while on social sector was 18.26% (Planning Commission, 2001) (for detail see Table 1).

During the second plan period, the contribution of the public sector towards the Gross Domestic Capital Formation was 42.4% and of the private sector was 57.6% (Planning Commission, 2001). With this outcome, the state acknowledged the importance of both sectors for economic growth of the country.

The Third Five Year Plan (1961-66)

The third five year plan (1961-66) focussed on both the industrial and agriculture sectors. It emphasised the importance of industrial development and social welfare. The plan, visualising industrialisation for next fifteen years, focussed itself on developing the basic capital and producer goods industries (Planning Commission, 2014). The third plan witnessed state's increasing emphasis on revenue generating sector, with 94.02% expenditure on it while expenditure on social sector was only 18.03% of total expenditure (Planning Commission, 2001) (for detail see Table 1).

Fourth Five Year Plan (1969-74)

The fourth five year plan proposed to focus on introducing the safeguards against the fluctuations in agriculture production and other uncertainties like the foreign aid as the third plan had been adversely affected by draught. The plan also focussed on improving the production techniques of small industries (Planning Commission, 2014). Out of the total actual expenditure of Rs.15,778.80 crores, expenditure on revenue generating sector was 80.06% and on social sector, 18.03%. Of the total expenditure on social sector; the expenditure on education sector reduced to 4.90 %, expenditure on family planning increased to 1.76% as compared to third five year plan but it reduced in comparison to the expenditure during first and second five year plans. The total expenditure on welfare of the backward and health also reduced to 1.04% and 2.12% respectively (Planning Commission, 2001) (Table 1)

The Fifth Five Year Plan (1974-79)

The state's fifth five year plan focussed on poverty eradication and achieving self-reliance. The plan introduced certain flexibilities under Monopolies and Restrictive Trade Practices Act (MRTP) to promote industrialisation for long term development. It continued to underscore the inclination towards revenue generating sector. Out of the

total actual expenditure of Rs. 39, 426.20, the expenditure on revenue generating sector was 80.06% and on social sector was 17.28%. Of the total expenditure on social sector, the expenditure on education, health and family planning reduced to 4.33%, 1.92% and 1.24% respectively. During the fifth five year plan, the expenditure on agriculture was also reduced to 12.33% and the expenditure on the industrial sector was increased to 22.79%. During the first five plans the economy had seen many fluctuations, however the inflation that hit the Indian market in 1980s affected the Indian economy and pushed it towards liberalisation, privatisation, and globalisation (Planning Commission, 2014).

Table 1 shows the actual expenditure on revenue generating sectors and social sectors over the first five, five year plans. As mentioned above, a glance at the table shows the inclination of state towards revenue generating sector since the first plan.

The state's contribution towards education, health and family planning started shrinking from the second plan onwards (Planning Commission, 2001). The investment in the education and family planning reduced from 7.60% in the first plan to 4.33% in the fifth plan. Similarly the allocation towards health and family planning came down to 1.92% and 1.24%, respectively. This was against the backdrop of a population that had continued to increase at an average rate of 2.12% per annum between 1961 and 1981 (Census of India, 2001).

Table 1: Total expenditure on Revenue Generating Sectors and Social Sectors over the First Five Five- Year Plans

| S. No. | Expenditure on (In Rupees in crores) | First Five Year Plan (1951- 56) (Actual) | Second Five Year Plan (1956-61) (Actual) | Third Five Year Plan (1961-66) (Actual) | Fourth Five Year Plan (1969-74) (Actual) | Fifth Five Year Plan (1974-79) (Actual) |
|--------|--|---|---|--|---|--|
| 1 | Actual Expenditure/ Plan Outlay | 1,960.00 | 4,671.80 | 8,576.50 | 15,778.80 | 39,426.20 |
| 2 | Revenue Generating sector Total | 75.86% | 81.68% | 94.02% | 80.60% | 82.66% |
| | Industry & minerals | 2.79% | 20.07% | 20.12% | 18.15% | 22.79% |
| | Transport | 26.41% | 26.99% | 24.62% | 19.52% | 17.42% |
| | Power or Energy | 19.66% | 9.67% | 14.06% | 18.57% | 18.76% |
| | Agriculture | 14.79% | 11.75% | 23.03% | 13.43% | 12.33% |
| | Others | 12.21% | 13.2% | 12.19% | 10.93% | 11.36% |
| 3 | Social Sector Total | 24.08% | 18.26% | 16.52% | 18.03% | 17.28% |
| | Education | 7.60% | 5.35% | 6.86% | 4.90% | 4.33% |
| | Health | - | - | 0.83% | 2.12% | 1.92% |
| | Family Planning | 4.99% | 4.87% | 0.29% | 1.76% | 1.24% |
| | Others | 11.49% | 8.04% | 7.98% | 9.25% | 9.79% |

Source: Basic data retrieved from Indian planning experience a statistical profile: Planning Commission, 2001

Industrial Focus and Role of the State: Sixth and Seventh Five Year Plans

The major reforms in Indian economy took place from 1980 onwards. This was on account of the loan taken from International Monetary Fund (IMF), which necessitated structural adjustments in the Indian economy.

The Sixth Five Year Plan (1980-85)

As the Indian economy was passing through a critical phase, the sixth plan proposed a major expenditure on industrial development. The plan proposed an outlay of 15.40% for industrial sector and 27.21% for energy sector. The transport sector also got 12% of the total outlay. On the other hand the proposed outlay for agriculture sector was only 5.84% of the total proposed outlay during the plan.

The sixth plan covered education, health and family planning, housing and urban development, and other services under the heading of social services. The amount proposed to be spent on the social sector during the sixth plan was only 20.71% of the total outlay. Out of this only 2.58%, 2.90%, 2.55% and 6.35% was spent respectively on education, health and family planning, housing and urban development, and other social services.

The state also introduced the Industrial Policy Resolution in 1980 and the export oriented industries or establishments were promoted. During the sixth plan, for the first time, the state proposed a role for the voluntary organisations for implementation of social welfare programmes (Planning Commission, 2014).

The Seventh Five Year Plan (1985-90)

The seventh five year plan for development was designed with the long term perspective of the next fifteen years, from 1985 to 2000. It focussed on making India a modern, technologically progressive economy with expanding capacity to provide the basic material and cultural requisites of well-being for all people (Planning Commission, 2014).

During the seventh plan, the proposed expenditure on the industrial sector was 12.28% of the total proposed expenditure while the proposed expenditure on energy and transport sector was 30.62% and 12.58% respectively. The proposed expenditure on social sector was 23.03%. Out of this, the proposed expenditure on social services was 17.52%. The social services included education, medical and public health, family welfare, housing and urban development, and other social services and the proposed expenditure on these services was 3.51%, 1.68%, 1.42%,

Table 2: Proposed and Actual Expenditure During Sixth and Seventh Five Year Plan on Revenue Generating Sector and Social Sector

| S. No. | Expenditure | Sixth Five Year Plan (1980-85) (Proposed) | Sixth Five Year Plan (1980-85) (Actual) | Seventh Five Year Plan (1985-90) (Proposed) | Seventh Five year plan (1985-90) (Actual) |
|--------|----------------------------------|---|---|---|---|
| 1 | Revenue generating sectors Total | 79.31% | 78.23% | 76.14% | 75.28% |
| | Industry & minerals | 15.40% | 15.50% | 12.28% | 13.35% |
| | Transport | 12.73% | 13.00% | 12.58% | 13.50% |
| | Energy | 27.21% | 28.13% | 30.62% | 28.20% |
| | Agriculture | 5.84% | 6.06% | 5.84% | 5.84% |
| | Others | 18.13% | 15.54% | 14.82% | 14.39% |
| 2 | Social sector Total | 20.71% | 21.73% | 23.03% | 23.64% |
| | Education | 2.58% | 2.72% | 3.54% | 3.51% |
| | Medical and public health | 2.90% | 3.12% | 1.88% | 1.68% |
| | Others | 15.23% | 15.89% | 17.61% | 18.45% |
| 3 | Total Plan Outlay (in crores) | Rs. 97,500.00 | Rs.1,09,291.70 | Rs.1,80,000.00 | Rs.2,18,729.60 |

Source: Basic data retrieved from Indian planning experience a statistical profile: Planning Commission, 2001

1.24%, 0.968%, and 7.14% respectively. The state's push to the industrial sector was explicit during seventh plan (Planning commission, 2001).

The receding role of the state in the social sector prepared the ground for CSR interventions. The dismal condition of education, health and other services on account of decreasing plan outlays provided the state with a ready to use justification for pushing the CSR agenda.

Eighth Plan to Twelfth Five Year Plan: Role of State and Emergence of CSR

From eighth five year plan onwards Indian economy experienced liberalised policies. Indian economy had been going through a difficult time during this period. To overcome that, the government initiated structural changes in the Indian economy (Planning Commission, 2014).

The Eighth Five Year Plan (1992-97)

The eighth plan clearly mentioned that the state had to reorient some of the development paradigms because the objective of the plan was to lay a sound foundation for higher growth and achieve improvement in the levels of living, health and education of the people, employment, elimination of poverty and a planned growth in population (Planning Commission, 2014). The actual expenditure on revenue generating sector was 71.63%. Although the proposed outlay on industries was only 10.80% of the total outlay during the plan period, the proposed expenditure on the sectors supporting the industry was 26.55% on energy and 13.42% on transport. The state acknowledging the need for employment generation, concentrated its efforts in promoting industrial development. The role of the state in social sector further receded. The actual expenditure on social sector was 28.38%. Of this, the actual expenditure on social services was 18.29%. Due to the liberalised policies, the industrial sector developed rapidly and the masses from the rural areas migrated to urban areas for employment. The state proposed an outlay of 1.21% (Rs 5,273 crores out of total plan outlay of Rs 4,34,100.00 crores) and 1.21% (Rs 5,277 crores out of total plan outlay of Rs.4,34,100.00 crores) on housing and urban development respectively which was not sufficient to meet the needs of the migrated people (Planning Commission, 2001). The planning process had already recognised the role of voluntary sector in the sixth plan. NGOs were now expected to participate in implementation of social welfare programmes. The public sector was restricted to only core areas of the economy.

The Ninth Five Year Plan (1997-2002)

During the ninth five year plan, the state admitted that with the implementation of neo-liberal policies the pace of urbanisation and industrialisation had increased. Due to this, the rural population had migrated to towns for employment leading to problems of increased slum, poverty, unemployment, and poor health condition in cities. The ninth five year plan (1997-2002) therefore gave priority to agriculture and rural development with a vision to generate employment and eradicate poverty, speed up the growth rate of economy with stable prices, food and nutrition, security for all, safe drinking water, primary healthcare facilities, universal primary education, shelter and connectivity for all, controlling the growth rate of population, environment sustainability, empowerment of women and socially disadvantaged groups, promote and develop people participatory bodies like self-help groups, cooperatives and strengthening the process of self-reliance (Planning Commission, 2014).

The ninth plan onwards, the plans were defined in terms of targets to be achieved rather than in financial terms. The ninth five year plan proposed an annual growth rate of 8.5% per annum and export growth rate of 11.8% per annum in the industry and mineral sector. During the ninth plan, the state proposed to review the working of Board of Industrial and Financial Reconstruction (BIFR) and to bring necessary changes to make it an effective instrument for reviving the sick industrial units (Planning Commission, 2014). Gradually the state produced the argument that with the increase in population and with limited resources it was difficult for the state to meet all the social demands (Planning Commission, 2014).

The Tenth Five Year Plan (2002-07)

The tenth plan proposed a development strategy which included the change in the role of government, improvement in the government performance at all levels and improving the corporate performance. The plan also proposed that the state should gradually hand over many of the decisions to the market and civil society. The state acknowledged that it had too many responsibilities which were causing severe strain on the limited resources of the government. It claimed that the private sector in India had developed its capabilities to shoulder the social responsibilities and accepted a limited role for the public sector (Planning Commission, 2014). The state acknowledged its role as regulator and limited itself to the areas which did not attract private investment. This was for the first time that the state explicitly talked of private partnership in the development programmes and the state accepted its receding role in economic and social sector.

The Eleventh and the Twelfth Five Year Plan ((2007-2012 and 2012-17)

During the eleventh and twelfth five year plan period, the state adopted the policies which showed gradual passing on of the state responsibility to the private sector. The plan also proposed a development strategy which involved a combined response from the public and private sector to the social concerns of the identified marginalised sections of society (Planning Commission, 2014). The term corporate social responsibility was used for the first time in twelfth five year plan. The plan attempted to define the role of corporate in the social sector. It iterated that although the expected roles of voluntary, public and private sectors were well understood, but each contributed to the domain of other. The state acknowledged that many multinational Indian companies were involved in voluntary corporate social responsibility (CSR) initiatives and provided financial and human resource support to the voluntary organisations over and above the self-managed initiatives of CSR (Planning Commission, 2014).

Thus the trend over the plan periods was a continuous reduction in the plan outlay for the social sector which led to all round deterioration in the social indicators of development. This provided the necessary background for the state to underscore its inability to shoulder social responsibility of such large proportion of the population and seek the private sector to come forth.

STATE, EMERGENCE AND STRENGTHENING OF CSR

The Indian state had been an interventionist state since independence. It was the planner, a direct producer and consumer of goods and services and was also an employer. Whereas across the world the regulatory state emerged by 1970s, in India this process started in 1980s (Cioffi, 2000). While the Indian state had intervened in the economy from the beginning of planned economy, it had allowed the social sector to get neglected. The emphasis on economic sector from the initial phases of the planning process was based on the premise that the social sector could be funded only when the economy was healthy. The allocation to the social sector was thus dependent on the economic growth and had continued to decline over the plan periods. The bourgeoisie base of the state thus ensured that the economy was in the hands of the ruling elite and that the advantages of economic growth reached only a limited section of the society.

The economic crisis of 1990s brought historical changes in the economic scenario in India. To overcome the crises, neo-liberal policies were introduced by the state. With the policy reforms beginning 1990s, the multinational companies

started to invest in India thus giving push to employment opportunities in metro cities. This boom in employment was a temporary phase in the thickly populated country because with the introduction of new techniques the traditional labour started to experience job insecurity. The state introduced Voluntary Retirement Scheme (VRS) to give retrenchment a new name i.e. golden handshake. To divert the surplus labour towards villages, the ninth plan talked of developing rural areas and agriculture sector. But it was evident that with the limited resources and increasing social needs, the state will not be able to manage the situation and predictably the state started to look towards the corporates to shoulder the responsibility.

In his budget speech in 1991, Dr. Manmohan Singh the then Finance Minister for the first time spoke about the social responsibility of business by comparing it with Gandhian philosophy of trusteeship and added that the state had to remove the hurdles from the path of those who were creating wealth and proposed to develop a new attitude towards it because ultimately all wealth was a social product. He acknowledged in his speech that adjustments bring pain and he expected the masses to be prepared for sacrifices to preserve the economic independence and restore the health of economy (Singh, 1991). The rhetoric of sacrifice for economic independence was used to reduce the agitation of the masses, the majority of whom had any way been living on the margins of society. In fact more than one fourth of the population in India in 1990 was poor. It was at this point in time that the state had to withdraw further from the social sector. This pushed the state to sell the idea of CSR to the masses going to the extent of equating it to Gandhian model of trusteeship even though the two operate in completely different politico-economic environments. The Gandhian trusteeship model was aimed at transforming the capitalist order of society into an egalitarian one, whereas CSR is aimed at providing social approval to the existing capitalist structures (Sharma, 2013). CSR was consciously compared with the Gandhian trusteeship to gain larger acceptance amongst Indian people.

From 2000 onwards the government started discussions on CSR in public fora. The former Prime Minister, Atal Bihari Vajpayee while addressing the 73rd annual general body meeting of the Federation of Indian Chambers of Commerce and Industry (FICCI) in 2000 had also urged the Indian business to discharge its social responsibility in a more visible and effective manner. He felt that the challenges of India's social sector development were daunting and the government resources were insufficient to meet these challenges. The Indian business was exhorted to contribute towards improving the condition of education, health care, sanitation and community welfare. The same rhetoric was seen in 2004 when the then Prime Minister of India, Dr. Manmohan Singh spoke on the issue of partnership with

corporates. He underscored the fact that CSR should not be seen as philanthropy or charity but an investment for collective future. The corporate and the state were projected as partners on the road to bring well-being and prosperity (Mitra, 2007).

From 2007 to 2014, CSR accelerated remarkably with the state intervention. In 2007 Department of Public Enterprises (DPE) issued guidelines on corporate governance. In 2009, DPE issued voluntary guidelines for CSR and in 2010 made it mandatory for public sector units to spend a fixed percentage of the net profit on CSR. Public statements were made that gave an indication of the future intent of the state. During the second National CSR conclave held in 2012, the then union Minister of Corporate Affairs Dr. M. Veerappa Moily in his speech mentioned, "Given the millions of Indian living below the poverty line –the bottom of pyramid- the recent UNDP initiative focusing on companies that can provide services to the nearly four billion people who survive on a dollar a day, and in the process, also create new business opportunities for themselves is of great importance in India's fight against poverty" (Minister's speech, 2012).

The Ministry of Corporate Affairs in 2013 amended the Companies Act (The Companies Act 2013) and added section 135 which states that each company having net worth of rupees 500 crore or more, or turnover of rupees one thousand crores or more or a net profit of rupees five crore or more during any financial year shall be required to undertake corporate social responsibility initiatives. A list of initiatives which corporate were expected to undertake is mentioned in schedule VII of the Act. This list is very exhaustive and covers most components of social development such as education, health, poverty alleviation, water, sanitation, women empowerment and skill development amongst others. With this amendment, India has become the only country in the world with mandatory CSR.

The concept note circulated by the Government of India while laying the groundwork for replacing the old Companies' Act 1956 underscored the fact that the existing act had been implemented in 1956 and since then the number of companies had increased and there had been a change in the economic environment. Having said that, the concept note was categorical that India needed to woo the international community and investors and as a result the laws would have to change to the comfort of the international capital. (Statement of Objects and Reasons, nd) This concept note circulated in 2009 by the then Minister for Corporate Affairs, Mr. Salman Khurshid highlighted that the capital was the centre of the economic discourse in India and that the means of production such as the land and labour should be aligned to suit the capital. The proposed bill was aimed at reducing the investment risks and transaction costs for the investors and aligning of Indian law with the western law. The proposed bill went all out to woo international capital.

However, fearing unrest on the grounds that it had bent itself to please the corporate, the state was constrained to introduce the mandatory CSR clause with an aim to dilute opposition to the bill (Zile, 2012). In reality the ground for such an initiative had been laid long time back.

The period from tenth plan to the mid of twelfth plan (2002-2014) saw remarkable changes in the role of state and corporate in economic and social sector. The state showed a gradual shift in its role from implementer to regulator. It floated new concepts such as public-private partnership and corporate social responsibility to fill the gaps that were likely to emerge when it receded from the social sector. The Indian state is doing away with its social responsibility not only by reducing its spending in the social sector but also by diluting the labour laws in the name of reforms and labour flexibility. While the capital has been deregulated, the labour conditions are being regulated by the state to suit the corporate (Sood, Nath & Ghosh, 2014). Over the years, there has been a manifold increase in the number of workers on contract whereas the number of regular employees has continued to decline. Even during the years when the organised sector employment saw an increase such as the period from 2003-2004 to 2009-2010, the increase was more in contract work rather than the directly employed workforce. The contract workers in the organised sector rose from 10.5% in 1995-96 to 25.6% in 2009-10. In contrast the share of direct employment reduced from 68.3% to 52.4% during this period. Similarly the salaries of managers increased manifold throughout 2000s indicating the heightened inequality between the managers and workers (Ibid). Additionally, there are evidences that increasingly the unorganised sector workers were demanding the welfare benefits from the state rather than their employers in the garb of citizenship rights (Agarwal, 2008). The unorganised sector comprises more than 93% of the workforce and this number is likely to increase with reforms in labour laws. The state in this process of facilitating the capital has created conditions where it is now pushed towards picking up the social security bills of these workers which would normally have been paid by the corporate. However, with the pressure to reduce social sector bills under the structural adjustment mandate, it has limited choices towards fulfilling these obligations. CSR has come to the rescue of state even here.

In India, CSR is thus an outcome of state's strategic economic and social planning. The state had throughout the planning process paid little attention to the social sector even when the prevailing social conditions in India required that the state intervene more meaningfully in this sector. When the state liberalised the economic policies and withdrew further from the social sector under the new capitalist environment, it had to seek the cooperation of the business world in the management of social sector. Thus for the Indian state, given the political economy and the social conditions of the

country, CSR is no more a voluntary choice. The state has to mandate it but with freedom for the corporate to monitor their socially responsible initiatives, without the government intervention.

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