

Corporate Social Responsibility (CSR) and Inclusive growth: A Review of Shifting Focus, Paradigms, and Approaches

Dr. Nanjunda*

Abstract

Corporate Social Responsibility (CSR) is referred to as the business responsibility and an organization's actions on environmental, social, ethical and economic issues of its surroundings. It is usually described in terms of a company considering, managing and balancing the economic, social and environmental impacts of its activities. A business organization cannot work in isolation and the extent to which a business organization should consider the environmental, ethical and social issues in its working, foregoing a part of its profit for the betterment of society as a whole, the constituents of which are its employees, environment, moral and ethical issues etc. A company which fails to do so is jeopardizing its commercial future. In India, the ethical and moral model initiated by Mahatma Gandhi during 1930s is well known; it affirmed the responsibility of family-run-businesses conducting social and economic activities. Corporate social responsibility has no standard definition. However, we can generally define it as a type of contribution/s from the corporate houses out of their huge profit to the various aspects of social development of society. This paper is based on a review of various project reports and personal experiences of the author.

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Background

Corporate Social Responsibility (CSR) refers to the practice of companies of all sizes and sectors making charitable contributions to address a variety of social, economic and other issues as part of their overall corporate citizenship strategy. Companies make philanthropic donations either through company-sponsored foundations or directly giving to programs. These are different in their relationship to the company and it is important to understand the difference (the Voluntary foundation). Nowadays experts are talking about CSR and inclusive growth India is presently in its 12th plan period and has been envisioned as one of the fastest growing economies in the world. While the investment and savings rates have increased significantly, the industrial sector too has responded well to the economic reforms and is able to meet global demands and challenges positively. This has initiated several mergers, joint ventures and global investors into the country. The aim of the policy makers is focused on ensuring that the economy can achieve sustained economic expansion that could bring significant and positive changes in the lives of the citizens of the country. The Asian Development Bank (ADB), in 2007, was the first to attempt to define the concept and term 'inclusive growth and development'; it defines inclusive development as '*growth coupled with equal opportunities*'. The ADB has emphasized that economic opportunities that are created by growth should be available to every individual and to the maximum possible extent.

In this perspective, **Corporate Social Responsibility (CSR)**, Inclusive growth and Sustainability are indispensable aspects of the central part of the social policy and business practices for cutting edge organizations. Sustainable development and CSR as a program, have matured rapidly, and are driven by a demand for greater accountability by corporate to society in India for speedy social development. Views on corporate responsibility have contributed to increasing weight on business to show its social accountability thereby causing equity growth in the country (Sarkar, 2013). Many Asian countries are embracing inclusive growth and putting it at the heart of their development policy and strategy. This is due to the rising concern that the benefits of the spectacular growth have not been equitably shared (Ali, 2007). Experts feel CSR will help the growth component of all sections of society and all parts of the country if we have all big corporates join hands. Though the Indian companies have been registering a steady

growth in the recent years, inclusive development is a major concern. While some level of growth is obviously a necessary condition for an equity society, there is an increasingly unanimous view that effective CSR Involvement itself would be a helpful condition for eradicating various social problems, and this may lead to inclusive development (Ali and Son, 2007). CSR will play a role in the Growth process so that marginalized sections will get more benefits. Experts feel that Effective CSR will raise the level of equality so that poverty will get reduced, which in turn, can increase the growth process in the country. One important indication of inadequate inclusion in India is that poverty reduction has been muted in the last decade even with rising growth. Growth oriented CSR policies should be combined with policies ensuring broad based per capita income growth, benefiting all sections of the population, especially those who have thus far remained deprived.

Objective

To find out the currnt shifting focus, and approaches with reference to Corporate Social Responsibility (CSR) and Inclusive growth in India

Methodology

This paper is based on the review of developments that took place during the years 2010-2014 and a few discussions with corporate experts. Relevant literature has been extracted and synthesized using appropriate methodology. Data is also collected from archives, internet etc.

Review of Literature

According to Manjit (2013), Inclusive growth (IG) mainly refers to shared development, pro-poor development and broad based development. IG means inclusion of each and every segment of society strata in the overall growth. Including the deprived and the less advantaged in the overall development and countryside growth is financial inclusion (FI). It decreases the speedy growth tempo of poverty in a country and enhances the involvement of citizens into the development process of the nation. FI is one of the major discussions and burning issues at present in India. Sufficient and appropriate production, goods delivery and services at reasonable prices can also show the way to inclusion.



According to Ray (2013), an expert economist, India will be the biggest industrial forecast in the world by 2050. This is often leading India necessarily to go faster in its infrastructure and industrial development using CSR. Economic development through industrialization will have its own impact on the surroundings; hence inclusive growth needs to be upheld. In recent days, a number of authoritarian events have been projected by the government of India to make sure that companies keep to the objectives of inclusive growth and sustainability.

Athreya (2014) argues that corporate social responsibility is the sustained obligation by a company to behave morally and give back to the growth of economy and society benefit, while, at the same time it develops the life quality of its employees, of the larger society, as well as of families. The central government, jointly with institutions like state corporations, the judiciary and the police force amongst others, is obliged to give its community the necessities, the amenities and the effortlessness that make life valuable. NGO activists, local communities and businesses have tried to show the way of addressing those issues for which the central government has been slow to come up with a solution so as to make sure that the life of the community is relaxed. CSR is a moral theory that a body, whether it is a corporation, an organization, individual or a government, has a responsibility towards society

Chandra and Sudhir (2013) opine that Companies' social involvement also helps for inclusive growth and for eradicating social exclusion in the country. Companies' social presence will help the company in increasing stronger financial performance, social accountability, reputation and branding etc. This is the time to think of involving small and medium scale industries also to enter into CSR. The authors feel that Companies can take up small projects at the local level, using their business presence and network. Also they can share their human and technical skills with the local NGO's. Even they can train the NGO's too. Still it is a dire need of CSR in some untouched sectors, including human rights, poverty eradication, rehabilitation, training, tribal development, etc which need more money and time.



Concept of Inclusive Growth

According to the World Bank Commission on Growth and Development (2008), inclusiveness is a concept that encompasses equity, equality of opportunity, and protection in market and employment transitions, and it is an essential ingredient of any successful growth strategy. The Commission on Growth and Development (2008) considers systematic inequality of opportunity as “toxic”, as it will derail the growth process through political channels or conflict. The 2006 World Bank Report has stated that inclusive economic growth can be achieved by “focusing on expanding the regional scope of economic growth, expanding access to assets and thriving markets and expanding equity in the opportunities for the next generation of Indian citizens, no matter who they are or where they live” (p. xiv, World Bank 2006). In recent years, the inclusive development approach is the thrust area of the United Nations, the World Bank (WB) and the ADB. A group of eminent strategists commissioned by The Asian Development Bank (ADB) recommended that the focus should shift from pro-poor growth to inclusive growth. If this growth is sustainable and broad-based, then the country would be on the path to the inclusive development. According to the ADB literature (Ali and Son 2007a, Ali and Zhuang 2007), there is no agreed-upon and common definition of inclusive development. The concept, however, is often referred to as growth coupled with equal opportunities. Inclusive growth emphasizes that economic opportunities created by growth should be available to all, particularly to the poor, to the maximum extent possible. For growth to be inclusive, productivity must be improved and new employment opportunities created, so that the excluded section forms part of the growth process. In short, inclusive growth is about raising the pace of growth and enlarging the size of the economy, while leveling the playing field for investment and increasing productive employment opportunities.

The potential and advantages of CSR to achieve inclusive growth are often overlooked in the clamour for image building among corporates. It has been a prevalent argument that businesses must participate in addressing socio-economic concerns while still maintaining a healthy bottom line. Many industries are revamping their business strategies to include all their stakeholders in their growth story. A significant number of



them have taken recourse to 'inclusive innovation', thereby bringing into the mainstream of the economic system the resource poor people as customers, employees, distributors, and intermediaries. For achieving such objectives of 'true' inclusive innovation, we need to make some paradigm shifts. For instance, getting more (performance) by using less (resources) for more (profit) is a well-known strategy of industrial enterprises. However, it is only when we achieve more (performance) by using less (resources) for more (people) that we can create 'inclusive growth'. The corporate world, the government, NGOs, the international development agencies, etc. must be aligned to this goal of 'more from less for many' (MLM), which spells out the path forward for inclusive growth, according to a Deloitte report – Inclusive Indian Innovations – Perspectives and Case Studies (2013).

Inclusiveness can be realized by high growth rates only when the sources of growth are expanding, thereby including an increasing proportion of the population in the growth process. A Deloitte report (September 2011) titled “Inclusive Growth – A Challenging Opportunity”, identifies the opportunities which the agenda of inclusive growth offers to corporates. It identifies various domains the corporates can be involved in as partners with the government or as opportunities to undertake CSR for inclusive growth independently. According to this report, in order to reduce this gap and to bring those currently in the periphery into the growth story, the government and the private sector need to implement initiatives across eight broad dimensions – governance, education, energy and resources, telecom and technology, infrastructure, healthcare, financial inclusion and business model innovation.

Currently initiatives of CSR have to be there quantifiable through specific year to year financial budgets. The enhanced extent for important involvement via Indian firms towards the struggle in many more difficult areas would contribute in the direction of inclusive growth in India. Very important of the involvements may well be resting on the method to generate job opportunities throughout the company, particularly for the development of women. Perhaps comprehensive support as a component of social responsibility to women will fit in to assist self help groups (SHGs) as also those



individuals that desire to come into corporation events. The assistance might connect marketing, human resource and financial divisions. Companies can also be created with co-operative methods with the company accompanying them through the opening phase. In the process, the study discovers the accessible initiatives of CSR, mainly those where support was offered to SHGs for the creation of a company; further it proposes significant steps that might be taken up in the direction of empowering women as also for the development of economy through company family houses (Shekhar, 2010).

a) Governance

Governance provides the mechanism for linking inclusion, decision making and accountability. Several problems in building an inclusive India can be traced back to poor governance, red-tapism, lack of accountability and corruption that has plagued India since its independence. It is also seen that without effective implementation, even substantial government expenditure has resulted in limited success. Although governance is largely the mandate for a democratically elected government, private sector expertise can be leveraged as has been done in the case of Unique Identification Number (UID) project, wherein the central government is implementing the project under the leadership of Nandan Nilekani, whose career was largely in the private sector. Utilizing the knowledge and expertise of private sector leaders in other governance mechanisms, such as the Planning Commission, public distribution system, and rural employment can help deliver better governance at both the central and the state levels. Private sector can play a bigger role in implementing these initiatives in the e-governance space. For instance, Mindtree, a Bangalore-based IT company, is working on developing and maintaining applications for rollout of the UID program. Therefore it becomes highly imperative not only to design good policies, but more importantly to implement these policies efficiently and with efficient utilization of resources. Effective governance will help in generating improved service delivery with better outreach to the poor. This will enhance the chances of the poor moving out of poverty and also reduce discrimination in access to basic public services, such as education and healthcare and thereby promote inclusive growth.



b) Education

Global economy has shifted from being manufacture centric to a knowledge driven one. The population of India cutting across regions, languages and social status has begun to appreciate the value of education in a global economy. Opportunities abound for the private sector in the domain of education in India, in three sectors – Primary, University education and Tertiary education. Though the government has passed the Right To Education Act (RTE) which makes education a fundamental right for all children in the 6-14 age group, greater investment in physical infrastructure and intellectual inputs is required to achieve the goal of complete literacy. Here the model developed by the Azim Premji Foundation needs to be mentioned. The government provides the physical infrastructure in terms of classrooms, equipment etc., while the private sector (APF) trains the teachers, creates training material, determines certification criteria and also recruits certified students.

This model operates in tandem with the government policies regarding primary rural education but serves to raise standards of the teaching imparted as well as the methodology. The private sector can play a significant role in the secondary and university level education due to its financial and intellectual capital and physical infrastructure. Although India currently has around 480 universities and 22,000 colleges, in the next 10 years, India will need 700 new universities and 35,000 new colleges, according Kapil Sibal, India's former minister for human resource development (Jun 2010). In the tertiary level of education too there exists a huge space for private sector participation in formal education which can be filled by setting up additional vocational training institutes. Such an arrangement can reduce training costs and provide the industries with a larger pool of skilled and employable resources.

c) Energy and other resources

Economic growth and higher incomes have resulted in an increased demand for energy and natural resources. But India's generation capacity, efficient distribution and effective utilization are woefully inadequate. Unreliable power supply has resulted in loss of productivity in agriculture and industry and has also severely penalized



households. In the context of inclusion, rural electrification becomes an important tool to make electricity available to farmers and rural households. Incentives to private sector companies to set up new plants/factories in backward regions can catalyze development. Promotion of ancillary and downstream industries can further lead to creation of jobs and development of public infrastructure in the region thereby promoting inclusive growth. However, it is essential that the government includes certain clauses to guarantee jobs for locals after ensuring that the rights of any tribal inhabitants, forest dwellers and locals are safeguarded when the projects are implemented.

d) Telecom and Technology The telecom industry has grown by leaps and bounds in India in the past decade. With over 800 million subscribers (Report by Naresh Wadhwa, Cisco, India) and one of the lowest tariffs in the world, the power and reach of this industry can be leveraged to drive inclusive growth in this country. Initiatives such as ITC's E-Choupal provide farmers with timely information regarding crop prices, weather and other relevant information. Similar initiatives can be devised for the fisheries, textiles and other sectors. Primary services like basic healthcare can utilize the mobile ecosystem, e.g., SMS for timely information about medication schedules, patient checkups etc. to improve quality of life in rural areas. With good high speed internet connectivity in rural/semi urban areas, BPOs, low skill based operations such as data entry or voice based applications can be set up. Such a move can help in improving the economy by providing jobs, increasing incomes and also stemming the migration of people from rural to urban areas which is causing a huge strain on urban infrastructure.

e) Infrastructure

As pointed out by the Planning Commission (2008) — “Good quality infrastructure is the most critical physical requirement for attaining faster growth in a competitive world and also for ensuring investment in backward regions”. Investment in infrastructure promotes the growth of a country's economy. In 1980, India had a greater investment and infrastructure base than China; but today, China is ahead in physical infrastructure availability, quality, and quantity, according to World Bank estimates. India's population,



availability of natural resources, and low cost base make it attractive as a manufacturing destination and the manufacturing sector can subsequently increase growth in jobs and incomes. However, for manufacturing to be competitive and sustainable requires an efficient supply of chain and physical infrastructure for procurement of raw materials, storage of work-in-process and finished goods, and speedy transportation to customers, based on demand. A lot of opportunities present themselves in these domains for corporate investment resulting in a win-win situation for both inclusive growth/CSR and development of the organization.

f) Healthcare

According to a recent report – Hospital and Healthcare: Impact of Union Budget (2012), healthcare in India is expected to be a USD 280 billion dollar industry by 2020. However, at present, healthcare is not easily available to all sections of Indian society. A rural person seeking healthcare has to travel nearly 10 kms which takes an entire day (and consequently a day's earnings) due to poor physical connectivity. Such situations can have dire consequences during medical emergencies. Lack of infrastructure, poor monetary compensation, and social prejudices result in doctors being reluctant to practice in rural areas, thereby further reducing healthcare availability. Some private hospitals have begun setting up healthcare facilities in tier 2 and 3 cities using business models which lower the cost and consequently, allow them to operate at lower price points than those in metros. Private players are experimenting in striking a balance between project assets, location, investment amount, and pricing to deliver quality healthcare in non-urban areas. However, there remains significant untapped potential in certain aspects, such as the setting up of no-frills hospitals, frugal innovation in medical technologies, drug development, and leveraging economies of scale to reduce costs. For driving sustainable healthcare development, it is important to use technology effectively across all areas of the healthcare value chain from information capture to diagnosis to recovery monitoring (Nandini Shekhar,2010).

g) Financial Inclusion

Similar to access to education and healthcare, the access to finance is an important factor for all segments of society, especially to the poor and marginalized sections, as it can facilitate them to eke out a sustainable living and alleviate their poverty. A society can be



considered financially inclusive when all segments and strata of the society have access to financial services and timely and adequate sources of formal credit. According to the RBI statistics of 2010, today, the bulk of India's population lacks access to financial products and services, such as savings accounts, loans, insurance, pension schemes, payments, etc. Banking penetration is estimated to be only about 5% among the lower income classes, and even among the middle- and high-income classes the penetration is about 45%. Realizing the importance of financial inclusion, the Reserve Bank of India has pushed for the same through policy measures. Recognizing that private banks can have an important role to play in increasing banking penetration, in early July 2011 the RBI issued a circular mandating all scheduled banks to open at least 25% of their new branches in rural areas.

h) Business model innovation

Inclusive growth requires companies to innovate their business model to profitably serve the “bottom of the pyramid”. This entails understanding the specific needs of the various target customer segments, their preferences, purchasing power, and designing suitable customer value propositions. A recent example of such an innovation is the Tata Nano car, which has been expressly designed to be affordable while offering more safety as compared to a two wheeler. However, simply transplanting products, services or strategies from the developed world or even from urban India may not always work in a large, developing, and diverse market such as India. Inclusiveness is a multidimensional concept and hence is difficult to achieve in a diverse and heavily populated country like India. However, it should result in lower incidence of poverty, increased access to education and healthcare and is reflected in better employment opportunities together with an improvement in basic amenities. In India the implementation differs from state to state. There should be an integrated approach to enhance agriculture and allied activities, R&D, infrastructural development and effective implementation of anti-poverty programmes.

Concrete actions for important indicators like major health concerns – nutrition, safe drinking water, sanitation facilities etc. are imperative. Qualitative employment in industries/service sector is a great opportunity for corporates for engaging in CSR. A key



takeaway is that both the public and the private enterprises need a refreshed approach towards creating a genuine and inclusive value proposition. Corporates need to seriously look at constraint based innovation or frugal innovation to survive in tough economic milieus. If India finds a way to streamline its innovation ecosystem with its developmental goals, it could very well become an international source for the most sensible and responsible form of innovation yet.

Conclusion

Corporate social responsibility (CSR) is another name for corporate conscience and responsible business. It involves a business model into which the concept of corporate self-regulation is inbuilt. Corporate social responsibility is a self-self-regulating means ensuring that any business organization abides by the spirit of the law, maintains ethical standards and observes domestic and international standards. Thus, the role of the corporate in guiding the culture of society cannot be ignored. It seems that in the current period of capitalism overpowering the socialist ideologies, the corporate will dominate and guide other social-cultural institution of society. In an increasingly conscience-focused marketplace of the 21st century the demand for extra moral business functions and events is increasing. Simultaneously, pressure is applied on the Indian corporate sector to improve business ethics through new public initiatives.

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