Becoming Capital and Not Crony

Responsibility of Business in Nation Building

Revisiting Development, Business and CSR

DR. RAHUL SINGH

SOCIAL WATCH
Saraswati Seva Foundation

SSF
SARASWATI SEVA FOUNDATION

About SSF SOCIAL WATCH Report

Social Watch publishes research reports of high theoretical and evidence based outcome. Any part of the reports may be used with prior permission or appropraite academic acknoweldgement. We motivate use of research outcome as our principle.

Saraswati Seva Foundation is not for profit organisation engaged in partnering with society for development. The mission of SSF is to partner with soceity for unproviledged and equip them for self sustained living. SSF is committed to learn, research and publish.

Saraswati Seva Foundation
Greater Noida, India

Dr Rahul Singh

Dr. Rahul Singh is founder and the chairman of the Saraswati Seva Foundation. He is an academic in Business Policy and Sustainability and has been founder of a national level Think Tanks. Dr Singh is also visiting professor at many universities globally and have been research expert in several Government of India projects, British council and European Union projects. Recipient of many Best Research Paper awards, he has published in top-tier journals such as Journal of Business Research, Journal of Brand Management, International Journal of Emerging Market, Journal of Global Scholars of Marketing Science, Journal of Applied Economic Research, Journal of Business Perspectives and others. He has also been editor-in-chief of two journals and reviewer of several international journals. Dr Singh has been involved in drafting Vision of three states of India and a regulatory draft. A regular contributor to the papers and magazines on contemporary issues specially on education and economy, Dr Singh is invite din national international seminars as speakers and chief guest.

Becoming Capital and Not Crony

Responsibility of Business in Nation Building

Revisiting Development, Business and CSR

DR. RAHUL SINGH

INTRODUCTION

India is undergoing a great national, social and economic transition. Post independence, the academic and intellectual approach of India for a long time has been to follow the western scholarship and change process to ensure the scientific process of the outcomes, than the nation-social intrinsic of the development. The experiments in the development of the nation have received mixed outcomes on political, social, economic, cultural, religious positions, and human and natural resources. These changes are irreversible.

India has started its industrialisation journey from socialist model. Surprisingly, during this model and in control of outside power India was a more efficient society. The large scale and a small scale companies used to operate in a marketplace economic system which might be at influence of British colonialism. On independence, India initiated barriers for the private companies to operate with hope that public sector enterprises can serve better to the cause of nation and development through industrialisation. First Prime Minister Jawaharlal Nehru mentioned industries, with specific reference to public sector, as new temples of India for development; followed by India Gandhi's methods to higher controls to gain prominence in leadership. This was the time when some of the industrial houses from India were feeling restricted in doing business and starting new ventures. Some of the companies moved outside India in search of more opportunities since Indian policy did not allow them to do business seamlessly, such as Birla group. While it acted as a deterrent in managing the real potential and talent of our nation, it helped some of the corporations from India to work in highly depressed and complex time resulting to building the capabilities and expansion outside India.

India 's public enterprises constructed great foundation of industrialisation, however very few of these corporations could develop themselves into real competitive ventures, others being moderately sick or purely sick companies. Realising the constraints in productivity due to various factors such as high bureaucracy, highly defined and controlled demand and supply, skewed policy-making. It is during 1980s the government partially realised that they block higher participation of "private sector" in national development. While industrialisation was considered as a major factor for economic development and it was addressed in policy-making, agriculture was on somehow ignored to be developed as the foundation of regional development, during this process. In the constraints of infrastructure support and investment, private sector was moving slow and exploring the sectors which would know investment sectors and market had higher demands. This was the birth of service sector in India. While manufacturing was progressing, service sector was finding space to grow. This led the Indian economic development to straight away on board to service industry from an agricultural economy, escaping the real industrialisation to happen in the country due to lack of appropriate planning because of jacketed socialist approach.

It was 1991 when India embarked on a journey of liberalization, privatization and globalization (LPG), though the pressure points were coming from International monetary fund (IMF) instead of an intrinsic plan of the country. The developments were positive for the growth; however it was missing a structured plan and supported policies towards comprehensive and holistic industrialisation and development of the country. While India has seen unprecedented growth starting 1991, it also faced challenges of different set of immoral practices, corruption, lobbying, Nexus formation and uncaring approach towards mass of the country. Post 2000, Indian companies became richer and they were expanding in the indigenous market as well as investing in global market. Also, many global companies invested in India finding a favourable business environment, some of them managed and maintained high growth rate for a long period of time. During this time, governments were busy in framing policies for smooth conduct of market, corporations were busy in developing capabilities to expand, and there was enough opportunity for new generation of manpower to be engaged in economic development process.

This, however, missed a very fundamental question. Has India developed right industrialisation ecosystem to address the need of the nation? In a short period of 20 years of new-generation industrialization (1991-2010), Indian policy makers started facing the heat of ultra-modern society as byproduct of industrialisation which is became agony of large population living in villages, smaller towns or unprivileged section of soceity. From ultra-socialist approach to ultra-market oriented approach, Indian policy makers missed to create a smooth transition and right balance towards the development of people and the nation.

Traditional Indian companies grew with the value systems of India. These companies always operated with a high social consciousness and value systems. Corporations belonging to TATA group, Birla group and others were seen as one of the members of the society engaged with the economic activity for social cause. Western model of industrialisation and market operations increased the pressure of hoarding money for the corporation and ignoring the value systems and social consciousness, especially from the Indian context point of view. While Indian companies in 21st century were considered as an important stakeholder in process of nation will development, they also faced charges of being selfish for profit motive and extremely narrow focused. While corporate social responsibility was not a new consent in India and was very much connected within the organisation, it was practised by handful of organisations with the real social purpose. Corporations from private sector faced serious charges on exploiting natural, human and social resources in absence of rightful intentions to do business as an economic agent being part of society and the nation. Public enterprises faced a different kind of charges of corruption and miss treatment of funds meant for social development purpose.

In early life, corporate social responsibility was merely a formality for brand building, social responsibility ranking, supporting selected organisations, and a public relationship exercise to make space for continued business. In these circumstances, Indian government decided to enforce corporate social responsibility on companies under the companies act; to ensure that companies do not ignore it completely and the lower to engage with society in more meaningful manner. India became the first country in the world to enforce corporate social responsibility through law. It is an observatory for the world today to understand how would new system perform in the development of the society and the nation? And, how will companies perceive this enforcement in short term and long term? Before we get on to debate the context, decision, models, implementation, perception, and we forward, it is important to examine the concept and complexity of development of society and the nation in the given cultural context. Overall fantastic

HISTORICAL PERSPECTIVE ON 'DEVELOPMENT'

The term development has traveled a lot in search of definition and finally settled with the working definition of United Nations 'millennium development goals or sustainable development goals'. While these indicator based definitions comprehend the need of the hour, they do not present comprehensive understanding of the cultural-social-economic-environmental cohesiveness of a society. The idea of development in 1950s to liberate people ended with the fate of liberating economies in 2000. While comprehending a philosophy was difficult in the new age of economic theory, indicator based theory and definition became

easy method to follow. Time and again, proposals have been put forward in order to achieve certain goals, preferably within a decade or two (for example, Brandt, 1980; 1983; Brundtland, 1987; UNDP, 2003). This was approach of new age post world war II, 20th century, which shaped economic development as tool of development of the society and nations or conceived the approach of charity to help nations in depressions. While it is sound on scientific process, it is incomplete, ambiguous and complex in theoretical frame. Sir Arthur Lewis, Nobelaureate and a great economist, forcefully emphasized in 'The Theory of Economic Growth' in 1955 and 'World Economic Survey 1968' that 'development' is much else besides economic growth.
So, how do we address development in present time?

When present society has already embarked on the path of indicator or measurement based progress to exchange blows with the immediate challenges, the nearest effective approach which might prove to be effective and productive in short time is usually 'goal based'. The systems and processes developed in the world today are delivery based and goal based, it is easier to align the agenda, policy, mechanism, and delivery on these approaches.

The long-term approach accentuates that economic progress in its contemporary structure is intimately correlated with the economic development of the western countries[1]. Therefore, the history of the economic development of prosperous European and North American countries will often serve as a point of reference in discussions of the experiences of developing countries.

In the economic theory, the economic growth will offer prosperity to the economic beneficiaries, thus resulting in the human development of the nation. However, United Nations has analyzed its panel data and, rather, finds a reverse theoretical indicator. United Nations observed that slow human development can negatively influence to economic growth. According to Human Development Report 1996, "during 1960–1992 not a single country succeeded in moving from lop- sided development with slow human development and rapid growth to a virtuous circle in which human development and growth can become mutually reinforcing." Since slower human development has invariably been followed by slower economic growth, this growth pattern was labeled a 'dead end'. While context and reference has been changing with time, at functional level some of the major mistakes in development policies are a direct consequence of erroneous advice from political

[1] Landes, 1998, Wealth and Poverty of Nations, Norton and Company.

and economic thinkers, such as, the neglect of the agricultural sector in the drive for industrialization in the 1950s[2].

Thus in philosophical terms, the search of understanding of development was not found in building a frame of statement but in identifying the immediate priorities burgeoning from extreme social and economic pressures and depressions.

The national identity is formed by the political ideas in the western world; which is otherwise in east and it is formed by cultural realities. This is one of the fundamentals of the 'anatomy of development'. Though, literature worldwide has not followed it, intentionally or unintentionally, Indian philosophy has more concrete to offer on the definition of 'development'. The 'development' coming out of Indian philosophy is not about 'raising the standards of living', or 'creating greater prosperity', or 'doubling the per capita income in a decade or two', development cannot divorce economic values from human and cultural values of a life. Though it is necessary necessary, a man does not live on bread alone. The 'development' is coined to be based on indigenous culture and civilization (history) of the nation to make an organic growth towards welfare and happiness of the nation. In more recent times; nationalism, democracy and livelihood became the guiding principles of development[3].

Thus, it is apparent that 'development' is a national context in a specific cultural, social and economic advancement, in partnership with all stakeholders from national, regional and global fora in a defined way under the constitutional, political and regulatory structures and institutional systems.

TRANSITION IN UNDERSTANDING OF 'DEVELOPMENT'

The newer concepts of 'development' came through the complex theoretical representations from nations like USA and Australia as these nations were struggling to build a society which did not have a strong cultural backbone, which otherwise was present in case of European nations and Asian nations. However these new nations were working very hard to be strong economies and they were miraculously successful in a free market model. The model followed clearly observed that economic prosperity will lead the development of the society and

---

[2] http://assets.cambridge.org/97805218/17639/excerpt/9780521817639_excerpt.pdf

[3] S N Agarwal, The Gandhian Plan of Economic Development for India, 1944.

health of society was being indicated by the resources with the individuals, but not appropriately attending culture and happiness as composite whole.

Approach of the then colonial nations like United Kingdom, Spain, and France were different. Though, these nations had better history and culture, the expansion aspiration of these nations made their colony locations (nations) mere into economic, natural and human resource extraction destinations. The ‘development’ meaning for their own nations was prosperity assured for all citizens above a defined standard; however the meaning of ‘development’ for the colonies was different and demeaning. This has changed with passage of time; the definition is still not universal.

From Asian and African nations’ perspective, ‘development’ is a continuous struggle with the cultural identity, social and economic backwardness, natural resources degradation, and pressures of globalization. The indicators are only representing the critical factors of living, health and education.

In an effort to make more concrete and visible change, development has been made indicator based approach to meet the immediate needs, irrespective of the social and culture sensitivities. The direct influences of policies and programs by government and indirect influences of economic growth are simultaneous methods to address development in nations. It is assumed and expected that increased economic activity will enhance the potential and chances of the development of the citizens and the nation. However the enhanced economy activities are observing greater inequity, higher unemployment, weakened democracy, loss of cultural identity, and overconsumption of resources needed by future generations.
This may not be termed as growth or development in the right theoretical manner, but this is the linear reality.

CORPORATIONS AND NATIONAL DEVELOPMENT

Thus, industrialisation has been targeted as a prudent method for economic development of countries. Private and public corporations are considered the most active agents of economic development however they may not be the largest contributors, depending on the economic system of the country. For example, according to the CRISIL report in 2012 ‘Why is it critical to revive the private sector’ estimates that the private sector, accounting for three-fourths of GDP, will have to script the economic turnaround by reviving investments and raising its contribution to overall growth. The agency notes that in the two decades since 1990, the share of the public sector in GDP growth remained stagnant at 6 per cent, whereas private sector GDP growth went up to 7.7 per cent in the 2000s from 5.7 per cent in the previous decade[4]. This estimation is omitting the larger participation of agriculture and other sectors.

With globalisation, participation of multinational corporations also have increased in all those nations which offer favourable business opportunities or grounds. These corporations are motivated to scan the global opportunity however with a compromise to the hosting nations, as debated by Kari Levitt (1970)[5], 'because economies of scale in research, design and technology are realized by spreading costs over total output, the global profitability of the international corporation is assisted by every influence which eliminates the cultural resistance to the consumption patterns of the metropolis; the corporation thus has a vested interest in the destruction of cultural differences and in a homogenized way of life the world over'. Though, Levitt discussed it in the context of the multinational companies, it is very much relevant to the domestic companies also in the gloabalised world. The changes in the society are also modified with the innovative (as it is defined) approaches of the corporations which are defusing the cultural boundaries, both in the positive and damaging way. This process is fastened by multinational corporations which is inherent from the definition itself as 'MNCs, often through foreign direct investment, are viewed as facilitating and often accelerating the process, taking advantage of their superior marketing and communications techniques and responding to their natural interest in creating or expanding markets for their products', as defined by Hveen in the classic writing[6] 'The Global Dominance System'.

As World Bank frames, sympathetic to the idea that 'Globalisation' and 'Private Corporations' participation' are important framework factors in development of the nations, the role of private sector cannot be avoided and ignored by any country. UNIDO has presented its future agenda working in collaboration with private sector and said 'partnering with the private sector is the foundation of any successful large-scale development strategy'[7]. The role and participation of the private sector

---

[4] Only Pvt sector investment can give leg-up to economy: CRISIL, July 17, 2012, Business Line.
[5] Kari Levitt, Silent Surrender (New York: St. Martins Press, 1970), p. 22.
[6] Hveem, "The Global Dominance System," p. 333; H5nner, "Multinational Corporations . . .," p. 125; Weisskopf, "Capitalism, Underdevelopment . . .,' p. 50.
[7] Engaging with the Private Sector in the Post-2015 Agenda, Consolidated Report on 2014 Consultations, 2014.

is receiving higher credentials in the globalised world, which demands a greater clarity and consciousness of private sector participation with the society in the process of nations development.

GLOBAL BIG PICTURE OF CORPORATIONS AND GROWTH

International agencies like World Bank, International Monetary Fund, Oxfam, World Business Council on Sustainable Development, Global Reporting Initiatives and others are developing their models and frameworks to make the companies more responsible, conscious towards their methods of doing business and participate in social and national development. Although market forces (consumers, producers, policy makers, non-government actors and other stakeholders) are increasingly pressing companies to act responsibly, markets have not succeeded in prodding all corporations to fulfill moral obligations everywhere and every time they operate[8].

World Economic Forum, which became a prominent forum for the interest of the corporations and setting up future directions of the private sectors before the world, has provided its forum to private sector and opened it also for the rest of the world in pressure of the realities of the global inequalities. However numbers do not seem supporting the claim of these bodies towards a more fair world. As presented in the table-1 below, the number of billionaires possessing almost 1 percent of the global wealth has reduced from around 380 billionaires to 90 billionaires in a span of 5 years indicating the polarisation of welath with few only.

Table 1: Comparative of global wealth share

Year	Total Global Wealth ($bil)	Wealth of bottom 50% ($bil)	Wealth of richest billionaires ($bil)	Number of billionaires
2010	216084	2593.01	2599.00	388
2011	224382	2243.82	2249.30	177
2012	238089	2142.80	2147.70	159
2013	255620	1789.34	1798.10	92
2014	263242	1895.34	1898.60	80

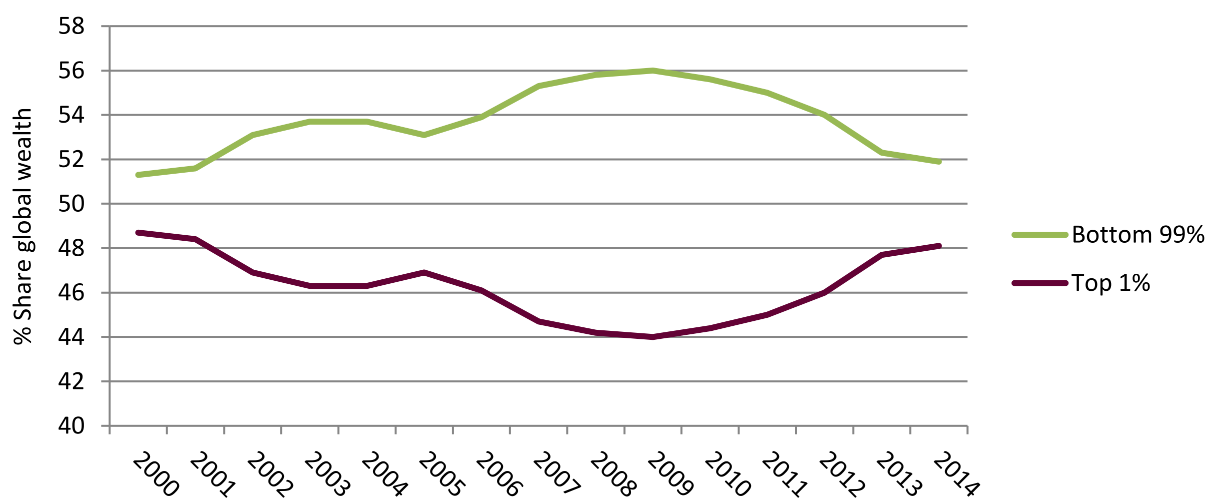
Source: Credit Suisse Global Wealth databook, 2015.

[8] Aaronson, S., 2005, Minding Our Business: What the United States Government has Done and Can Do to Ensure that US Multinationals Act Responsibly in Foreign Markets. Journal of Business Ethics, Vol. 9.

Winnie Byanyima, Executive Director of Oxfam International observes[9], the combined wealth of the richest 1 percent will overtake that of the other 99 percent of people (Table 1) next year in 2016 unless the current trend of rising inequality is checked. "Do we really want to live in a world where the one percent own more than the rest of us combined?

The scale of global inequality is quite simply staggering and despite the issues shooting up the global agenda, the gap between the richest and the rest is widening fast" presented the Oxfam report on growth of richest people from corporations and rising inequality in the world. This is one of the presentations of the society we are developing into. At international level, we have observed President Obama, president of America to Christine Lagarde, president of IMF talk frequently about engage in managing extreme inequality but we are still waiting for many of them to walk the talk.

Table 2: Share of global wealth of the top 1% and bottom 99% respectively

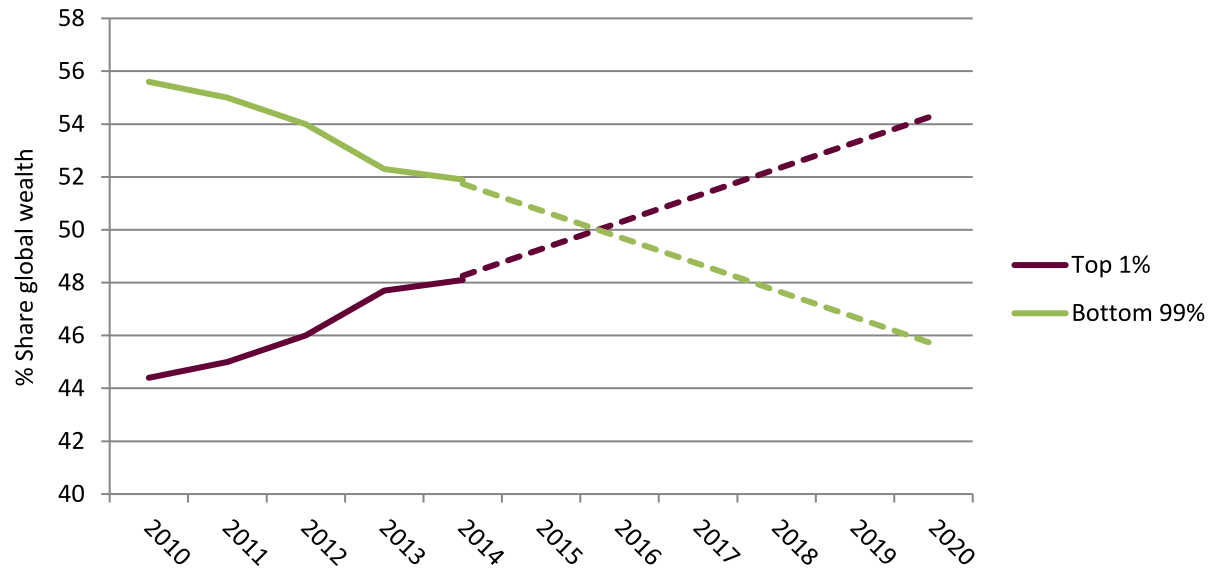


Source: Oxfam data, wealth having all wanting more, 2015.

The share of the richest people is troublesome to the rest of the world. 99 percent of the population lives at a thin distance of the wealth of 1 percent of the world populations, 50 percent of the global wealth is with only 1 percent of the population.

[9] OXFAM report, Richest 1% will own more than all the rest by 2016, https://www.oxfam.org/en/pressroom/pressreleases/2015-01-19/richest-1-will-own-more-all-rest-2016

Table 3: Real growth and projection of share of global wealth of the top 1% and bottom 99%



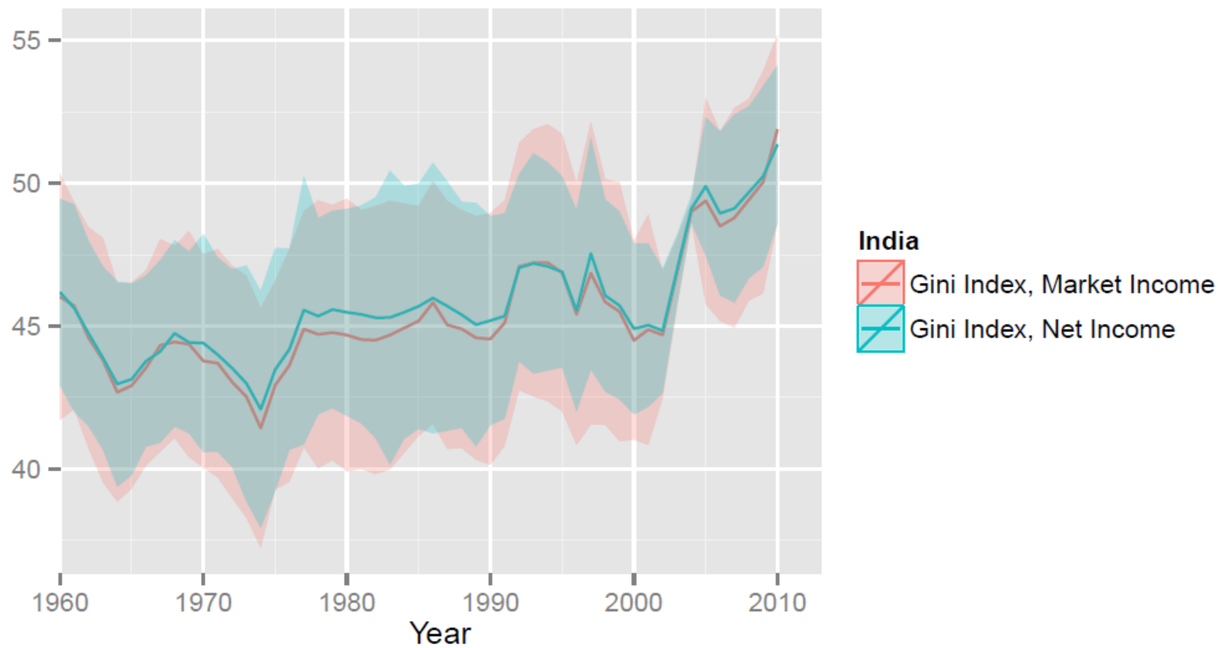
Source: Oxfam data, wealth having all wanting more, 2015.

In Indian context, a 50 years estimation of inequality indicates that India could never plan a right model of national development since independence which has helped the nation to increase holistic development. While inequality was close to 46.00 in Ginni Index (a measure of inequality) in times of depressions or slow economic development under the socialistic approach of Jawaharlal Nehru, it never improved when India was opening up its economy and reaching to an economic (gross domestic product) growth rate of 7 percent as inequality increased to level close to 52.00 (as shown in Figure 1). It clearly means that the political vision and the policy seemed not working in favour of the real people of India.

What went wrong in the policy making?
Who was the central beneficiary of the policy making?

In another postulate, economic and social inequality is an inevitable part of the surge of economic growth and globalisation progress; in fact it is the product of deliberate economic and political policies, of which the two biggest drivers are

Figure 1: Income inequality in India between 1960 and 2010



Source: Standard world income inequality database, Solt 2014.

Market Fundamentalism[10,11] and the Agency Power[12] by economic elites. The market fundamentalism is manifestation of direct engagement or neutrality of the government and political system. The policy paralysis in the government system is cause to contribute to the market fundamentalism. Many governments, since 1991, have participated with the illegitimate experts and leaders forming a skewed policy which helped more to the group of people than the mass. For example, policies formed by Indian policy makers (during 2004 - 2014) for allocation of mining blocks

---

[10] 'Market Fundamentalism' is the exaggerated faith that when markets are left to operate on their own, they can solve all economic and social problems. Market Fundamentalism has dominated public policy debates in the United States since the 1980's, serving to justify huge Federal tax cuts, dramatic reductions in government regulatory activity, and continued efforts to downsize the government's civilian programs.

[11] Joseph E. Stiglitz used the term in his acceptance speech of Nobel Memorial Prize to criticize some International Monetary Fund policies saying, 'More broadly, the IMF was advocating a set of policies which is generally referred to alternatively as the Washington consensus, the neo-liberal doctrines, or market fundamentalism, based on an incorrect understanding of economic theory and (what I viewed) as an inadequate interpretation of the historical data'.

[12] 'Agency Power' is lobbying and nexus based benefit to corporations. For example, the influence of food corporations on politics and the public is growing. Thousands of lobbyists promote corporate interests. Corporate lobbyists often also work in government institutions. They often successfully lobby for corporate interests on food standards, approval of pesticides, GM seeds, trade agreements, or the public research agenda. AGROPOLY- A handful of corporations control world food production, EcoNexus, September 2013.
http://www.econexus.info/sites/econexus/files/Agropoly_Econexus_BerneDeclaration.pdf

or allocation of telecom spectrum which led to corruption of an unimaginable amount[13]. And sometimes, governments also delayed the policy formulation or formed silence on specific sectors such as land acquisition or construction sector.

Economic elites buy political clout, which in turn purchases tax exemptions, land concessions, cheap credit, and subsidies on electricity and water. In India, tax exemptions to corporate India in every recent budget of around five lakh crore rupees could substantially finance India's education, nutrition and health care gaps[14]. The lobbying culture comes along the capitalist theory of corporations, which is meant to support the corporations for its endevours in collaboration with the political or policy making agencies[15].

The free and fair political and policy making interventions are unimaginable in a free market approach, as already reflected by the highly industrialized nations[16] and international agencies where lobbying has a legitimate space in the policy making process as proxy of expertise[17]. Although, it has shown disregard to fairness

---

[13] In 2015, the auction kitty from sale of coal mines and telecom spectrum on Monday swelled to over Rs. 3 lakh crore -- exceeding all estimates including by CAG for value of such resources, which have been at the centre of two major scams in the recent years. Congress led government was involved in these scams during its stint in 2009-14 bleeding Indian collection by an amount mentioned above. Government Makes Over 3-Lakh Crore From Coal and Spectrum Sale; Government Auditor's Estimates Surpassed, Press Trust of India, March 10, 2015.

[14] Harsh_Mander, Surging tides of inequality, The Hindu, July 12, 2015.

[15] Just before Christmas 2002, Oxfam revealed that Nestlé was demanding millions of dollars in compensation from Ethiopia – precisely when the country was in the midst of an extreme drought that put over 11 million people at risk for starvation. http://www.theguardian.com/world/2003/jan/24/debtrelief.development. Nestlé u-turn on Ethiopia debt, Charlotte Denny, 24 January 2003.

[16] During 2013, the finance sector spent more than $400m on lobbying in the USA alone. Data from Centre for Responsive Politics, https://www.opensecrets.org/lobby/indus.php?id=F&year=2013. Total spend for finance, insurance and real estate, minus real estate.

[17] A Finnish member of the World Health Organization board, an advisor on vaccines, has received 6 million Euros for his research center from the vaccine manufacturer GlaxoSmithKline. According to documents acquired through the Danish Freedom of Information Act, Eskola's Finnish institute, THL, received almost 6.3 million Euros from GlaxoSmithKline (GSK) for research on vaccines during 2009. GlaxoSmithKline produces the H1N1-vaccine 'Pandemrix,' which the Finnish government -- following recommendations from THL and WHO -- purchased for a national pandemic reserve stockpile. Several other WHO experts also have financial ties to the pharmaceutical industry--a double role that notably is not published by WHO. In addition to WHO revelations, one of the WHO scandal involving accusations by Austrian journalist Jane Burgermeister that the WHO conspired with Baxter International (a vaccine manufacturer) and the UN to produce and release live bird flu virus in 2009, in an effort to trigger a pandemic. Burgermeister has accused them of "planning to commit mass murder." http://articles.mercola.com/sites/articles/archive/2010/01/07/who-advisor-secretly-pads-pockets-with-big-pharma-money.aspx

several times, it is very much part of the present economic system and is complex and challenging to be cleaned.

CORPORATIONS AND CSR IN INDIAN CONTEXT

There are several terms meaning close to company, some of the words frequently referred in Vedic literature, Sreni, Gana, Puga, Vrata, and Naigama, denoting the cooperative organization in ancient India. The term 'Sreni' is prominent and frequently used in Sanskrit, Buddhist and Jain literatures, epigraphs; it seems that the term was used in the literatures as 'a form of industrial and mercantile organization' (Basham, 1967)[18]. Not going too back in Indian literature and limiting to globally traceable physical evidences of society, business and society-business relationship which is termed as 'relational state philosophy' in present time, the Kautilya's Arthasastra provides an inside-out approach to corporate social responsibility, which is development of the individual leader's self conscience, contrary to the western approach that takes an outside-in perspective. The literature presents the Indian system as a free, socially conscious and responsible and culturally sensitive contributing to state development. There are evidences of such systems in History literature from 400 BC to 1000 AD, till the period of Muslim invaders. Later periods, small business and entrepreneurship developed as the model of business in India for a long time, till as recent as 19th century.

It was 19th century when Indian businessmen started companies of larger size and expanded it beyond trading to manufacturing. Jamshetji Tata was motivated by Swamy Vivekananda to think of scientific research and manufacturing industries (In response, Jamshetji N Tata had written a letter on 23rd November 1898 to Swamy Vivekanada to accept the leadership) which became reasons of Indian Institute of Sciences and the Tata Group's present size. The very purpose of business was to serve the society in its needs and be profitable for its continuation. The notion of higher margins and stakeholder net-worth came in post world war-II era when Indian companies were struggling to make a space and comparing them with the global practices. As observed above, the initial period after independence was not good period for private sector companies and public sector companies were chained with several inbuilt challenges of structure and practices. Public sector companies were seen as social elements of industrialisation, thus contributing directly and indirectly in social development through economic development. Corporate Social Responsibility was not a termed function of the public enterprises

[18] Basham, A.L., 1967, 'The Wonder that was India', Calcutta.

in 1960s and 70s, though these corporations were engaging in social development activities, sometimes directly. beyond corporations, India anyway has tradition of deep social engagement and service and large number of organisations are active in social service on critical national development agenda. these organisations are promoted or supported by religious groups, non-religious groups, non-government organisations, individuals, associations and other entities[19].

More recently, post 2000, the growth of companies, their methods of growth, and the increasing protected opportunities to the private sector raised concerns on their intentions of business and disconnect from society in India. The social unrest, industry shines, global pressures and national policy paralysis made things complex and uncomfortable for every stakeholder in the business ecosystem. While industry houses like Tata, Birla, Godrej and companies like IOC are known for their social drive in business since inception, there was a generation which did not pursue socially responsible business and engaged in high aspirations leading to compromised and sometimes dangerous outcomes. The Economist (Aug 2, 2014) published a story on Indian billionaire Mukesh Ambani, presenting the great contribution Reliance is making in the economy but calling the giant as 'Unloved Billionaire', his father is termed as father of 'Indian Capitalism' by the magazine. There are several other examples from Indian and Indian origin business people who compromised in search of more money from industrialization, like Anil Agarwal who came in light due to allotment of few thousand acres of land to Sterlite Group for opening a university on sea shore of Odisha. These are reflective examples but there are countless examples of good and bad intentions of leadership and practices in private sector. Public enterprises are relatively cleaner due to public accountability and auditing.

The business growth and gaps between business and society is calling for more serious attention to review present practices and future possibilities. By the end of 2014, total number of companies in operations are more than 9,52,000 active Indian companies and close to 3250 foreign companies, serving the economy[20]. Most of these companies are in small and medium enterprise domain functioning as feeder organizations to the large companies in the value chain. Large companies are accumulator of large part of the total net profit of the corporate sector in India

[19] Satish Y. Deodhar, India's Mandatory CSR, Process of Compliance and Channels of Spending, W.P. No. 2015-05-01, May 2015.
[20] Data extracted from annual report of Ministry of Corporate Affairs, 2013-14.

which includes private Indian companies (listed and unlisted), private foreign companies (listed and unlisted) and public enterprises (listed and unlisted).

NATIONAL VOLUNTARY GUIDLINES (NVG) 2011

The National Volunatary Guidlines, national framework on business responsibility, is based on practices and percepts that take into account the realities of Indian business and society as well as global trends and best practices adapted to the Indian context. It urges businesses to embrace the 'triple bottom line (Profit, People, Planet)' approach whereby its financial performance can be harmonised with the expectations of the society. The national framework on Business Responsibility is essentially a set of nine principles that offer businesses an Indian understanding and approach to inculcating responsible business conduct.is essentially a set of nine principles that offer businesses an Indian understanding and approach to inculcating responsible business conduct. The NVGs are an aspirational and comprehensive guideline to encourage responsible business behaviour in India, covering a broad array of social, economic, environmental and governance issues and developmental priorities.

Principles	**Statements**
Principle 1	Businesses should conduct and govern themselves with ethics, transparency and accountability
Principle 2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
Principle 3	Businesses should promote the wellbeing of all employees
Principle 4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
Principle 5	Businesses should respect and promote human rights
Principle 6	Businesses should respect, protect, and make efforts to restore the environment
Principle 7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
Principle 8	Businesses should support inclusive growth and equitable development
Principle 9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

ANALYSIS OF CSR IN COMPANIES ACT 2013

Corporate social responsibility is a key term in Indian business community and in the law. Indian government has introduced a new clause in the Companies Act 2013 (Annexure-3) for companies to engage more and meaningful with the social development process. Salient features of the clause are as follows:

- Section 135 of the 2013 Act states that every company as defined below will be covered in the CSR contribution under the law:
  - net worth of Rs 500 crore or more, or
  - turnover of Rs 1000 crore or more ,or
  - net profit of Rs 5 crore or more during any financial year
- Company shall constitute a Corporate Social Responsibility Committee of. The committee would comprise of three or more directors, out of which at least one director shall be an independent director
- The mandate of the said CSR committee shall be:
  - to formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
  - to recommend the amount of expenditure to be incurred on the activities referred to above;
  - to monitor the Corporate Social Responsibility Policy of the company from time to time
- The Board of every company referred to above shall after taking into account the recommendations made by CSR Committee:
  - approve the CSR Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, and
  - ensure that the activities as are included in CSR Policy of the company are undertaken by the company, and
  - ensure that the company spends, in every financial year, at least two per cent of the average net profits
- If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount
- "Average net profit" shall be calculated in accordance with the provisions of section 198 of the 2013 Act
- Companies can engage in the following areas for social development;
  - Promotion of education;
  - Promoting gender equality and empowering women;

- Reducing child mortality and improving maternal health;
- Combating HIV, AIDS, 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 socioeconomic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- Such other matters as may be prescribed.

A revised and amended schedule has been introduced by government of India introducing more opportunities of CSR investment and development[21].

CHALLENGES AND PROBLEMS

In the process of planning and implementation of CSR, some Indian and foreign organisations faced multiple modeling and implementation bottlenecks and challenges. given the cultural differences, few Dutch companies in 2004 (CREM-report) sponsored a research to critically reviewed the CSR face of India and present a well structured segment based solution as, in report 'Frame of References for CSR in India'. The research project focused on positive examples and / or (potential) bottlenecks and dilemmas which companies encounter in India when they implement CSR principles in their business. The following framework was developed to map the four pillars of CSR.

- One of the most striking finding was the fact that Indian NGOs are of the opinion that community development constitutes an important element of CSR, which is contrary to the perspective of some International NGOs
- Indian stakeholders, in general prefer the European approach of persuasion and exchange of know-how and aid because it is more effective to accelerate the process of social development

[21] Notifications by Ministry of Corporate Affairs on CSR dates 18 June, 2014 http://www.mca.gov.in/Ministry/pdf/General_Circular_21_2014.pdf and 24 October, 2014 http://www.mca.gov.in/Ministry/pdf/Amendment_Notification_24102014.pdf are presented with amendments in the list of areas of engagement and treatment of financial issues.

- There is a need for foreign companies to disclose key information to the Indian public about their environmental, labour and human rights practices etc.
- Implementation and enforcement of labour laws is very low in India.
- Indian legislation pays little attention to the conservation of biodiversity.
- Conservation of environment is partly the responsibility of the Government and partly of companies.
- CSR also implies a large need for investments in the host country. This element is not incorporated in the general understanding of CSR.

Over a period, some of the real problems faced by organizations are from both demand and supply side. Primarily, these are supply side challenges as CSR has come up as a new method of engagement for the corporate, away from indigenous Indian polite methods of doing business for soceity and not doing business and then thinking soceity. Some of the problems and challenges are discussed herein,

- ‘Vision poverty’ and concern for social development by corporations
- Activities and methods of implementation by companies
- Invisible foreces working internally and externally for accomodations and manipulations in the CSR funds
- Measurement and evaluation of CSR performance
- Making it sustainable instead of lifelong responsibility of companies
- Managing social and cultural context not to overdo, resulting in dependence

WAY FORWARD –

PARTNERSHIP AND COMMON SOCIAL CONSCIOUS IN DEVELOPMENT

The engagement of companies in their CSR activities in India is moving at several levels. While for some organisations, it is still in the nascent stage of doing charity and coping up with the immediate pressure of relationship management with the nearby communities, for others, it has moved to a more enhanced definition of doing responsible business. Amidst the complexity in managing the CSR activities, companies are advised to develop their purpose and models of engagement under broad principles to ensure social conciousness of the organisation.

Corporations’ qualification and diversity to be part of the said programme can not ensure equal attention in addressing a combination of the domains mentioned in the Act. While these companies would work on the external engagement in CSR engagement model, they are also expected to be responsible corporate citizen in their endeavours such as ethical delaings, rights use of material, concerns of environment and natral resources use, sensitivity towards social and cultural positivity, and ethical marketing. These concerns are both internal and external by nature and these are embedded in board level thinking, strategic plans, daily operations, annual stakeholder and social agenda.

Figure 2: Principles of responsible business and CSR engagement by corporations

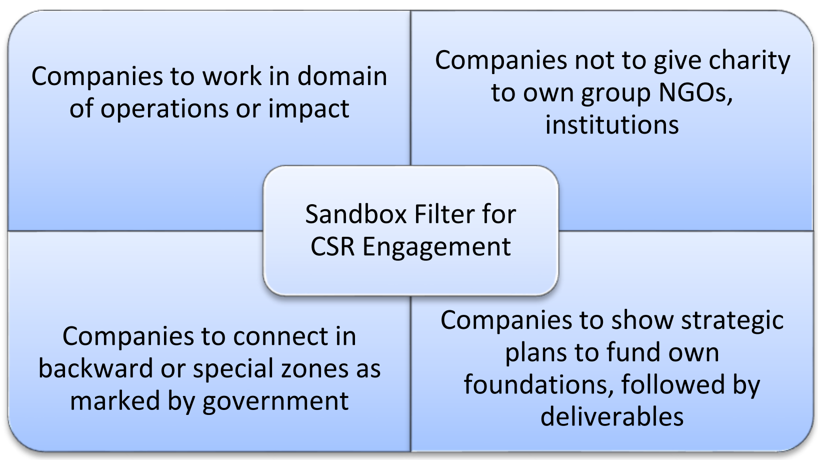
In the recent engagement model of companies, the strategic engagement with society on CSR has been to promote inclusive business which is either the outcome of CSR or a strategic alliance of the same. The concept of inclusive business is in the core of doing business for the marginalised sections of the society, bringing financial stability for the poor people and financially concious profitability to the organisation. This not only has shown big profits to the organisations but has also contributed in building innovative and new business models which are also replicated around the world, in many countries (having similar context and demography). Some of these models include:

- Direct corporate social responsibility engagement
- Inclusive business models for supply chain processes

- Engagement with National schemes of the Government
- Developing NGOs' capacity by Private Community Partnership
- Engagement in new initiatives of community development in PPCP approach (i.e. Public-Private-Community Partnership approach)
- Socio-national-cultural development programmes offering

With given structure of the engagement, now companies can find more focused objectives and methods of engagement for social development process. The Sandbox filter (Figure below) checks on the funds utilisation and its intentions so as to ensure the utility with highest social purpose and with lowest internal transfers for own group entities or entities with high personal relationships.

Figure 3: Filter to utilise CSR fund for social engagement



As principles would ensure the right approach of orgnsiations towards responsible business and appropriate social engagement model, Sandbox filter model will help in identifying right purpose and orgnsiations to work on CSR agenda. These would ensure that there is no effort on captive instituion building process in name of CSR activities of the organisations.

On CSR activities, large corporations are engaged in highly organised way in education, health, rural development, women and children empowerment and development, and other critical issues of the national development agenda. Present estimations on corporate social responsibility expenditure are already in thousands of crores, which is managed by private foundations of corporations, highlyefficient non-government organisations, companies' own departments and other agencies with help of exters and field workers. With the new Act, there is further financial flow and capabilty flow into the system. An approximate assessment of the financial flow in the system is presented on analysis of listed public enterprises and private companies, unlisted private and government entities and unlisted foreign companies. The analysis in based on the qualifying criteria of the companies Act. As shown in the Table below, there are 30 sectors from more than 110 sectors in the economic system which lead the economic activities in terms of offering of products and services and accumulating profits. These sectors would primarily be the highest or highly significant contributors in the CSR activities towards national development.

Table 4: **Net profit and CSR contribution in different sectors in economy**

Total of Profit by Sector / Industry	Net Profit 2014	Net Profit 2015	@2% of 2014	@2% of 2015
Top 100	310412.00	349543.81	6208.24	6990.88
Computers - Hardware	56591.00	53235.00	1131.82	1064.70
Banks - Private Sector	10528.24	39454.03	210.56	789.08
Refineries	35398.92	37331.27	707.98	746.63
Banks - Public Sector	4054.83	36295.31	81.10	725.91
Power - Generation & Distribution	24532.89	26968.13	490.66	539.36
Oil Drilling And Exploration	39124.27	26636.32	782.49	532.73
Mining & Minerals	23750.54	22820.15	475.01	456.40
Pharmaceuticals	18135.17	16231.15	362.70	324.62
Finance - General	12576.00	13647.00	251.52	272.94
Telecommunications – Equipment	18767.56	13188.10	375.35	263.76
Infrastructure - General	14135.31	12042.65	282.71	240.85
Engines	9270.00	10510.00	185.40	210.20
Cigarettes	9150.00	9994.00	183.00	199.88
Metals - Non Ferrous	7281.77	8313.73	145.64	166.27
Personal Care	7356.08	8178.26	147.12	163.57
Auto - Cars & Jeeps	6541.35	7032.31	130.83	140.65
Cement - Major	6264.00	6689.00	125.28	133.78
Fertilisers	4776.00	6119.00	95.52	122.38
Auto - 2 & 3 Wheelers	5764.83	5690.22	115.30	113.80
Auto Ancillaries	4137.06	4872.56	82.74	97.45
Textiles - Composite Mills	6049.83	4585.98	121.00	91.72
Miscellaneous	3240.32	3764.68	64.81	75.29
Fasteners	3125.00	3617.00	62.50	72.34
Chemicals	3099.00	3080.00	61.98	61.60
Finance - Housing	2864.00	3062.00	57.28	61.24

Media & Entertainment	2900.60	2970.51	58.01	59.41
Construction & Contracting - Housing	2585.00	2948.00	51.70	58.96
Tyres	2286.91	2809.30	45.74	56.19
Detergents	2209.00	2503.00	44.18	50.06
Aluminium	2112.58	2303.29	42.25	46.07
Paints & Varnishes	1795.39	2063.50	35.91	41.27

Source: Data collected from moneycontrol.com for 2014 and 2015.

Note: Funds of top 30 sector with profit more than 2000 crores in the sector. This estimation includes contribution by only listed companies and does not count unlisted private and public enterprises, and foreign companies.

The study of the listed public enterprises and private companies and the non listed private companies and government organisations on their contribution to corporate social responsibility are as follows;

- Top 100 listed comopanies contribute close to 82 percent of the business net profit in all the products and services industry under the listed category.
- These top 100 companies are consolidating to 88 percent of the net profit in the top performing 30 sectors which are having net profit of more than 2000 crores.
- Top 30 sectors of listed companies contribute close to 92 percent (398955 crores) of the net profit of all the listed companies.
- The highest net profit sectors in the listed category are Computers – Hardware, Banks - Private Sector, Refineries, Banks - Public Sector, Power - Generation & Distribution, Oil Drilling And Exploration, Mining & Minerals, Pharmaceuticals, Finance – General, Telecommunications – Equipment, Infrastructure – General, Engines, Cigarettes, Metals - Non Ferrous, and Personal Care.
- Top 10 sectors of 117 categorised sectors in industry are contributing a net profit of close to 64 percent i.e. an approximate amount of 285807 crores. This is an impressive increae of more than 17 percent net profit gain of companies from the 2014 figures at 243459 crores.
- Total net profit (430974.55 crores) of the listed companies in India is less than the total subsidy and support provided by government i.e. approximately 500,000 crores (The Hindu).
- The total amount of CSR contribution from all the listed organisations is close to 9000 crores in which 81 percent is contributed by top 100 listed companies. A rough estimate observes that the same amount may be

contributed by other companies which are not listed private and government and foregin entities.

- According to Indian Institute of Corporate Affairs, around 16,352 companies (out of total 6,40,000 companies registered with 16% in manufacturing sector and remaining 84% in non manufacturing sectors) fall within the purview of Section 135 of the Companies Act. Around 20,000 crore in total will be spent by Corporates each year on CSR[22].
- As per the norms of the Act, around 30,000 Directors in the Boards of companies on CSR issues will be directly involved.
- Government ventures (unlisted) like Airport Authority, Hindistan Aeronautics, Security Printing and Minting, THDC India are some of governmetn enterprises which contribute a huge net profit to the economy.
- Private companies like Genpact, Rungta Mines, International Tractors, Bennet & Collman, Cognizant technologies, Mondelez India Foods, Rekitt Beckinser, Syntel, Wipro Enterprises, Alkem Laboratories, Serum Institute of India, USV, DLF Cybercity Developers are some of high net profit private companies amongst large section of the non-listed Indian and foreign companies.
- The net profit composition presented in calculation has not included all these government enterprises, private Indian companies and foreign companies which are not listed in the market as public firms.

CSR ECOSYSTEM:
MULTI-STAKEHOLDER MODEL OF ENGAGEMENT

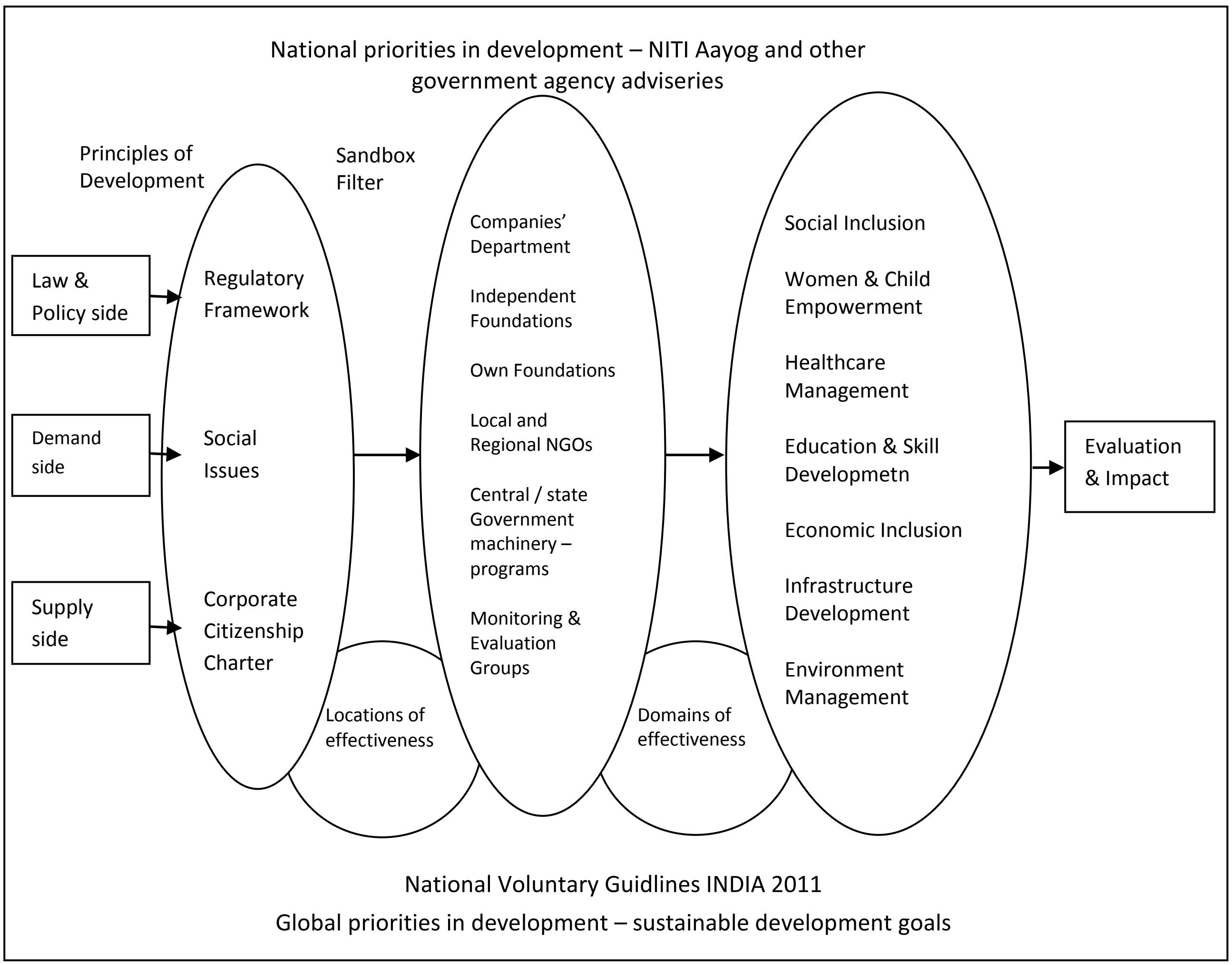
Given the size of investment in the CSR activities, it has potential to become an indsutry of its own. With the formal structure of a sector, the purpose of social transofrmation and citizenship of corporations will not achieve its true objective. Although, some form of structure is necessary to build the capacity of the particpatns in the sector, there are working suggestions from the internaitonal agencies and national research and advisory organisations. An active integration of CSR Ecosystem with the government agenceis, specailly with the NITI Aayog, is necessary for productive and long lasting implementation.

The national priorities should not be made complex with the comparative importance given by sustainable development goals, however they are very sound methods and

[22] Udit Prasanna Mukherji, Jan 29, 2015, CSR spending may not touch Rs 20,000 crore mark, http://timesofindia.indiatimes.com/business/india-business/CSR-spending-may-not-touch-Rs-20000-crore-mark/articleshow/46055040.cms.

measures of the engagement. The sustainable development goals are undersigned resposnibilities of government and government is accountable for delivering same under a strategic plan. This plan may be supported by the participation of corporate sector, thus making national planning more significant over international reflections and advisories. Along the government development agenda as vision of the social engagement, companies should learn from national and international agencies for best and next practices to ensure effectiveness and efficiency. Figure 4 presents an integrated model of CSR ecosystem engagement by multi-stakeholders for highly effectives and efficient delivery like managed for their business.

Figure 4: CSR Ecosystem Multi-stakeholder Engagement Model



There are few major industrial regions of India, which include Mumbai-Pune Industrial Region, Hugli Industrial Region, Bangalore-Tamil Nadu Industrial Region, Gujarat Industrial Region, Chotanagpur Industrial Region, Vishakhapatnam-Guntur Industrial Region, Gurgaon-Delhi-Meerut Industrial Region, and Kolfam-

Thiruvananthapuram Industrial Region. These regions produce maximum net profit generation in their respective regions. While these regions already produce many social and economic benefits to the region, other regions which suffer from different socio-economic challenges may become centres of investment of the CSR funds. The exemption of the above norm for companies which are engaged in power and mining in the regions of the location of companies for the very purpose of restoration of environment and managing social unrest. There is no formula presented for such decision, it is voluntary but guided by principle of equality and development of nation. Companies may develop 4-6 areas of engagement such as health, education, environment, sanitation etc to mkae their 5 year plan. The selection of areas and the final delivery plan should be developed in guidnace of NITI Aayog planning, state government priorities, local population need, intermediate partner capabilities and alignment of organisations activity.

The CSR ecosystem would present a comprehensive and holistic picture before organisations to address the purpose and methods of the social engagement. However, the model presents a view on early involvement of the corporations in identifying the social purpose of existence, it nurtures the moves of the corproate and offers guidlines to be more effective and efficient in its social engagement. It is expected that the purpose, principles, sandbox filters, methods, intermediaries, and delivery goals will help the organisations achieve their economic pursuits better if they are socially concious and more responsible in social development. This debate may help policy makers, corporations and other stakeholders to make a better tomorrow for people they are serving to and soceity they are living in.

ANNEXURES

Annexure 1: List of Indian billionaires in Forbes list 2015 with net-worth

Billionaire	Wealth 2013 ($mil)	Wealth 2014 ($mil)	Sector code - Oxfam coding	Origin of wealth (Forbes)
Mukesh Ambani	21500	18600	Extractives	petrochemicals, oil & gas
Lakshmi Mittal	16500	16700	Metals	steel
Azim Premji	11200	15300	Tech	software
Dilip Shanghvi	9400	12800	Pharma	pharmaceuticals
Shiv Nadar	6500	11100	tech	information technology
Kumar Birla	7900	7000	Metals	commodities
Sunil Mittal & family	6800	5700	Telecoms	telecom
Micky Jagtiani	4000	5000	Retail	retail
Anil Ambani	5200	5000	Diversified	diversified
Cyrus Poonawalla	3900	4900	Pharma	biotech
Savitri Jindal & family	7600	4900	Metals	steel
Shashi & Ravi Ruia	8500	4900	Diversified	diversified
Uday Kotak	4400	3800	Finance	banking
Adi Godrej & family	3600	3500	Product	Consumer goods
Jamshyd Godrej & family	3600	3500	Product	Consumer Goods
Desh Bandhu Gupta	2400	3200	Pharma	pharmaceuticals
Kushal Pal Singh	6300	3000	Real Estate	real estate
Anil Agarwal	3400	2900	Extractives	mining, metals
Gautam Adani	3100	2800	commodities	commodities, infrastructure
Pankaj Patel	2100	2400	Pharma	pharmaceuticals
Brijmohan Lall Munjal	2200	2400	cars	motorcycles
Indu Jain	2200	2300	media	media
Kalanithi Maran	3300	2200	media	media
Malvinder & Shivinder Singh	2600	2100	Pharma	healthcare
Chandru Raheja	1800	1900	Real Estate	real estate
Subhash Chandra	2400	1900	media	media
Rahul Bajaj	2000	1850	cars	motorcycles
Ajay Kalsi	2100	1850	Extractives	oil
Ravi Pillai		1800	Construction	construction
Sunny Varkey		1800	Service	education
M.A. Yusuff Ali	1500	1800	Retail	retail
Rishad Naoroji	1800	1800	Product	Consumer goods
N.R. Narayana Murthy & family	1550	1700	tech	software
Venugopal Dhoot	1250	1600	tech	electronics
Mangal Prabhat Lodha	1400	1600	Real Estate	real estate

Benu Gopal Bangur	1900	1550	Construction	cement
Murali Divi	1300	1500	pharma	pharmaceuticals
Senapathy Gopalakrishnan & family	1350	1500	tech	software
Ravi Jaipuria	1400	1500	drinks	soft drinks
Ajay Piramal	1600	1450	pharma	pharmaceuticals
Ranjan Pai	1300	1400	Service	education
Nandan Nilekani & family	1300	1400	tech	software
Baba Kalyani	1200	1300	engineering	engineering
Ashwin Dani	1500	1250	Product	paints
Rakesh Jhunjhunwala	1250	1200	Finance	investments
Nirav Modi	1000	1200	luxury	Diamond jewelry
Mofatraj Munot	1200	1200	Real Estate	real estate
Brij Bhushan Singal	1500	1150	metals	steel
Yusuf Hamied	1200	1100	pharma	pharmceuticals
Lachhman Das Mittal		1100	Transport	tractors
Vikram Lal		1050	cars	automobiles
K. Dinesh & family		1050	tech	software services
B.R. Shetty		1000	pharma	healthcare
Harindarpal Banga		1000	commodities	commodities
Jitendra Virwani	1000	1000	Real Estate	real estate
T.S. Kalyanaraman	1000	1000	luxury	Jewelry
Habil Khorakiwala	1550		Pharma	pharmaceuticals
K. Anji Reddy & family	1500		Pharma	pharmaceuticals
Vikas Oberoi	1450		Real Estate	real estate
Rajan Raheja & family	2000		Diversified	diversified
G. M. Rao	1100		Infrastructure	infrastructure
Joy Alukkas	1000		luxury	Jewelry

Source: Oxfam data, wealth having all wanting more, 2015. Compilation inputs from Forbes data 2015. Amount is in USD.

Annexure 2: Global personal financial health and sectors of opportunity, 2014

Sector	Count of Billionaire in 2013 and 2014	Sum of Wealth 2013 ($mil)	Sum of Wealth 2014 ($mil)	Increase in wealth ($mil)
Grand Total	**1761**	**5432610**	**6447190**	**1014580**
Finance	326	998200	1147500	149300
Real Estate	160	391650	413050	21400
Retail	155	657100	787050	129950
Tech	131	446000	627440	181440
Extractives	118	453100	437150	-15950
Product	110	225500	327400	101900
Pharma	95	170050	249950	79900
Diversified	95	377650	395050	17400
Entertainment	67	170900	248300	77400
Food	62	200900	240850	39950
Construction	56	119550	133750	14200
Service	42	63450	89750	26300
Media	41	167550	192650	25100
Cars	36	83700	120200	36500
Drinks	36	152950	165200	12250
Metals	32	122650	122850	200
Transport	30	93500	110350	16850
Agriculture	30	66750	77300	10550
Telecoms	30	184100	206700	22600
luxury	29	136750	158550	21800
chemicals	19	24150	33700	9550
Manufacturing	16	20510	25350	4840
Energy	13	18050	26750	8700
commodities	13	34800	45050	10250
Aviation	7	23300	28300	5000
Inherited	3	10300	20800	10500
Engineering	3	6200	6500	300
Forestry	2	4800	4900	100

Source: Data presentation by Oxfam report using Forbes data, 2015. Amount is in USD.

Annexure 3: CSR Clause 135 in Companies Act 2013

135. Corporate Social Responsibility

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

> (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
>
> (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
>
> (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,—

> (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
>
> (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation—For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198.

SOCIAL WATCH
August 2016

www.saraswati-seva-foundation.org