

# **The Limits of Corporate Social Responsibility in India**

**by Prabhu Guptara**

The vastness, complexity and contradictions of India require some minimum historical background if one is to have any hope of clarity regarding this subject.

In India, responsibility was traditionally limited to “insiders” – you looked after members of your own immediate and perhaps your extended family, you might even extend some minimum care to members of your clan, or at most to members of your caste. Other “outsiders” had no relationship to you, so their welfare was not your responsibility. If the system failed some people, that was simply a matter of fate and you certainly did not interfere in that<sup>1</sup>. Of course, our mythology has saintly or noble figures who cared for “complete outsiders”, but their behaviour remained a remote ideal rather than everyday reality.

In a society bound by notions of caste and fate, the idea of responsibility for the whole of society constituted a cultural revolution caused by foreign influences.

This started in the first century AD with St. Thomas<sup>2</sup> (the disciple of the Lord Jesus who came three separate times to India and was eventually killed in what is now Chennai), through the impact of Islam from the seventh century onwards, as well as of outstanding later missionaries such as William Carey<sup>3</sup> in the eighteenth

century, James Long<sup>4</sup> in the nineteenth century, and C F Andrews<sup>5</sup> in the twentieth century..

Influenced by such foreign ideas, Indian reformers, such as Guru Nanak<sup>6</sup>, Swaminarayana<sup>7</sup>, Rammohan Roy, and Mahatma Gandhi<sup>8</sup> in turn then launched reform movements which slowly began to change our values. We began to accept strange ideas such as the equality of all humans, the value of work, the imperative to read and to think for oneself and stand up for what one concludes is right, yet in a manner that respects the right of others to reach different and even opposing conclusions, while reserving the right to debate and persuade<sup>9</sup>.

The work of reformers, whether Indian or foreign, was enormously facilitated by British rule which, though initially little more than organised robbery, changed under the influence of the British Evangelicals. From at least the early nineteenth century<sup>10</sup>, legal changes were introduced, though these would never have taken root without clever orchestration of peer pressure and the example of real service by government servants and especially their womenfolk<sup>11</sup>.

During the Independence struggle, Indian companies, which began to proliferate and prosper from the mid-nineteenth century, threw in their lot with Mahatma Gandhi, and the resulting concern for the nation caused many of them to be involved in providing education, health services, and even clean water. Naturally,

the patchwork efforts of individual companies, however intensive, can never match what governments can and should do. Ultimately, the question is: does CSR blaze a trail, or is it an alibi for a government's declining to do what it ought?

After Independence, though civil and political service began swiftly to be replaced by corruption<sup>12</sup>, Fabian-inspired social engineering created the system of reserved seats for the lower “castes” enabling them to move up the financial and social hierarchy in some steady fashion. However, the social capital that enabled this particular form of reverse discrimination to be tolerated now appears to be dissipating<sup>13</sup>. On the other hand, overall economic growth has also created social space for the lower castes.

These tensions and contradictory pulls are paralleled in the rest of the world. Continental Europe sees declining pensions, health care, and investment in public service infrastructure, while OECD countries have an increasingly lively debate and progressively more telling action in the area of social responsibility (for example, in requiring ethical, environmental and social transparency from Pension Funds<sup>14</sup>).

Whether the shareholder-activists win or the stakeholder-activists, it is clear to everyone that SR means higher wages and higher taxes – better quality of life but

at a higher cost. That does not mean that all differential advantage will disappear, since countries have different natural endowments as well as different cultures and values. Denmark may be as “developed” and socially responsible as Sweden, and the East Coast of the US may be as developed and socially responsible as the West Coast, but that does not make them the same.

Harmonisation does not equal sameness.

Nor will increasing worldwide social responsibility necessarily dampen trade and investment flows – most trade and investment even today is within the developed world, not from the developed to the “developing” world. Moreover, the key determinant of trade and investment is risk. It is easy to forget nowadays that India and China were, through history, some of the richest countries in the world. Even as late as the eighteenth century, each of these countries commanded nearly one-third of global GDP. Since then development accelerated in the West while India and China actually regressed. In the case of India, at least part of the decline was due to British imperialism, but at least a part of the progress that India made was also due to the same imperialism. And India has declined in the world league much more in the 50 years or so of Independence than it did in three hundred years of British rule. I would be very interested to see some estimates of the amount of wealth consumed and withdrawn from the country by the British in the three centuries of their rule compared to the amount of wealth consumed and withdrawn by the Indian ruling class in the last 50 years.

Today, President Bush likes neither the Kyoto Agreement nor the International Criminal Court. The governments of most developing countries would rather base their comparative advantage on simple things such as cheap labour. Most companies (whether Indian or foreign) would find it easier to live in the simpler world of shareholder value than in the more complicated world of corporate social responsibility. Most individuals too would find it easier to care only for themselves and let the world go hang. Nevertheless, it is clear that there is and has been an increasing trend through the last century and indeed the last millennium towards global standards and global social responsibility. The communications revolution and global markets make increasingly clear to everyone that we are all together on this little planet for good as well as for ill. A single incident at Bhopal makes everyone sit up and take notice. The collapse of an insignificant currency such as the Baht has consequences around the globe. The collapse of an Enron or an Anderson changes rules and attitudes not just in the USA but right round the world. So while late capitalism presses us all to take less and less time even for ourselves, it also forces us to ensure that each country makes minimum investments in infrastructure, education and health. September 11, 2001 has made it clear to everyone that the global community has a vested interest in good governance. While a certain degree of poor governance on the part of certain countries can be tolerated, there comes a point where the

consequences of poor governance make it impossible for us not to intervene, whether in Afghanistan, the Balkans or the Middle East.

Companies, institutions and countries all become socially responsible when that coincides with self-interest. There is much of Africa and the rest of the world that is still outside the ambit of CSR, but the AIDS crisis and other health-related matters will gradually ensure that the move towards global good governance does not halt with a few countries. This has already threatened patent law and the consequences have not yet been digested. Nor is it clear what the result will be of the current tension between the drive toward social responsibility on the one hand and on the other hand the biases entrenched in company law. That is why a re-examination of company law, international trade laws and the global financial system seems to me not far off.

The new global culture promotes common definitions, rules, structures and standards but often to the detriment of those who are marginalised. India as a country of over one billion people faces an enormous challenge to ensure its economic liberalisation goes hand in hand with the creation of a more equitable society. CSR can act as a vehicle for delivering value to all, by mitigating some of the harmful effects of the kind of globalisation we have at present. This is true not just

for India but all countries trading in the global market. In an increasingly interdependent world, CSR will not begin or end in Europe or the U.S., it is emerging as a truly global movement transcending regional and national limits.

NOTES:

1. My Professor of Sanskrit publicly berated me and other members of our College Social Service League, as late as 1966, for interfering with the caste system when we set out to help people in Delhi's slums. For the relationship between beliefs and social realities, see Vishal Mangalwadi, Truth and Social Reform, Nivedit Good Books, India, 1989 (various British and American editions also exist).

2. St Thomas's first came to north India overland (there were well-established trade routes in what are now Afghanistan and Pakistan). His second journey was by sea to the area around Bombay. His third journey, also by sea, was to South India, which historically had sea links both to the west as far as Africa and Europe and to the east as far as China. There is no record of how long he stayed each time. But there were Christians in north India as a result of his preaching till the eighteenth century. And in South India, the "St Thomas Christians" exist to this day. Not large in numbers, Christians have had a culture-changing influence in India, particularly through their schools and hospitals.

3. Vishal and Ruth Mangalwadi, William Carey and the Regeneration of India: A Model for the Transformation of a Culture, Nivedit Good Books, Mussoorie, India, India, 1993.

4. Geoffrey Oddie, Missionaries, Rebellion and Proto-Nationalism: James Long of Bengal 1814-1887, Curzon Press, U.K., 1999

5. Daniel O'Connor, The Testimony of C. F. Andrews, Christian Literature Society, Madras, India, 1974

6. J.S.Grewal, The Sikhs of the Punjab, vol. 2.3 of *The New Cambridge History of India*, Cambridge University Press, 1994

7. Raymond Brady Williams, An Introduction to Swaminarayan Hinduism, Cambridge University Press, U.K., 2001.

8. K. L. Seshagiri Rao, Mahatma Gandhi and C. F. Andrews: A Study in Hindu-Christian Dialogue, Publication Bureau, Punjabi University, India, 1969.

9. William Storrar, Christianity and Democracy, Handsell Press, Scotland, UK, 1997.

10 Vishal Mangalwadi, India: The Grand Experiment, Pippa Rann Books, U.K., 1997;

11, Pat Barr, The Memsahibs: The Women of Victorian India, Secker and Warburg, London, 1976; Dennis Kincaid, British Social Life in India, 1608-1937, Routledge and Kegan Paul, London, 1973.

12 S.K. Das , Public Office, Private Interest : Bureaucracy and Corruption in India, Oxford University Press., Delhi, 2001; Madhusudan Karmakar, Bubble : A Study of Scam, Scandal and Corruption in Indian Stock Market, Regency Publications, New Delhi, 1999; Bhure Lal, Corruption : Functional Anarchy in Governance, Siddharth, New Delhi, 2002; Tushar Kanti Saha, Democracy in Danger : Criminality and Corruption in Lok Sabha Elections, Kanishka, Delhi, 2000; Francis A. Schaeffer & Vishal Mangalwadi, Corruption versus True Spirituality, 1998.

13. Vishal Mangalwadi, The Quest for Freedom and Dignity: Caste, Conversion and Cultural Revolution, 2002.

14. From Summer 2000, the British government introduced historically unprecedented legislation, requiring Trustees of Pension Funds to declare in a Statement of Investment Principles, whether (and, if so, to what extent) they take into account social, ethical and environmental criteria. Other countries such as Switzerland, Germany and Australia quickly followed suit, and it is rumoured that the EU is considering standardising that throughout Europe.

15. John Boli and George M Thomas (eds.), Constructing World Culture, Stanford University Press, USA, 1999.

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