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“Corporate Social Responsibility –Private Sector Perspective”

“That gift is good, which is made to one from whom no return is expected, with the feeling that it is one’s duty to give and which is given in proper place and time and to a worthy person.”

- The Bhagwad Gita, Chapter 17, Text 20.

Businesses, by their very definition, need to be profitable. But the manner in which they use natural resources and the extent to which they are sensitive to the needs and aspirations of the common man is also critical to their own long-term survival and growth. Sustainability of business therefore includes not merely economic sustainability in the narrow sense of the term but social and environmental sustainability as well. Indeed, financial capital needs human, social and ecological capital to be viable in the long term sense of the term. Market activity that concentrates wealth without empowering the poor and the deprived is also unacceptable ethically.

The concept of parting with a portion of one’s surplus wealth for the good of society is neither modern nor a Western import into India. From around 600BC the merchant was considered an asset to society and was treated with respect and civility as is recorded in our ancient texts. Over the centuries, this strong tradition of charity in almost all the business communities of India has acquired a secular character.

During India’s freedom struggle businesses made political donations and also contributed towards many of the social and cultural causes. Many of the leading businessmen came under the spell of Mahatma Gandhi and his theory of trusteeship of wealth. They contributed liberally to his programmes for the removal of untouchability, women’s emancipation and rural reconstruction.

Money and compassion have seldom come so well together. But first things first. CSR is not philanthropy. While philanthropy involves making a donation to an organisation engaged in charity, CSR, or corporate sustainability (CS), as it is sometimes called, has a symbiotic relationship with the environment in which a corporation operates. "Businesses in India and across the world have started understanding the need to go beyond philanthropic, risk-mitigating investments in community development, to devise new ways to do core businesses differently, with inclusion as a driving force. However, it should also match and align with

one's aspiration. It should be emotionally satisfying as CSR is different from routine philanthropy since it creates value for society as well as business.

Indian businesses organised the 1965 Conference on Social Responsibilities of Business which led to the subsequent Declaration of the Social Responsibility of Business.

In the race for making profits, corporate often forget the substratum on which their business is set up. They often become unconcerned with the impact of their business on the society - forgetting the basic tenets of our Constitution which contemplate social and economic justice to all citizens. Corporates' social responsibility is a matter intrinsically ingrained in the Constitution of India which envisages an economic development that does not result in the concentration of wealth and means of production to the common detriment and that material resources of the community are so distributed as best to subserve the common good.

Corporate Social Responsibility - is it altruism?

Some corporate make contributions to the society by socially beneficially projects like free hospitals, old age homes, institutions for physically and mentally challenged children, instituting scholarships for students etc. These activities, charitable in nature and unconnected with the business of corporate are often administered through charitable trusts. They are viewed as philanthropic ventures guided by religious and moral concerns rather than fulfillment of any obligation to the society. Charities run by the corporate bring high esteem and administration from the general public, indirectly helping to spread the goodwill and brand equity of the company.

Corporate Social Responsibility - anathema to the profit maker

In the race for making profits, responsibility towards society is viewed as an antithesis in corporate philosophy.

Corporate Social Responsibility - meaning and content

There is no clear definition of the term 'Corporate Social Responsibility'. It can be explained as a responsible way of doing business, taking into consideration of the development concerns of the people in the area in which the business is located, running the affairs of the company in a manner consistent with business ethics, transparency, good governance and at the same time becoming accountable to both shareholders and the general public. In the socio-economic system envisaged in the Constitution of India, no one can amass wealth to the detriment of society in general, ignoring the environmental concerns, developmental needs and aspirations of the society.

The stake holders in a responsible business transcend the shareholders. People affected by the running of business are also to be considered as its stakeholders. Natural resources make use of as raw materials and economy of the people in general whose lives become concerned with the running of the business establishment are matters intrinsically connected to the business. Corporates can bring in social progress and get support from the society when they make use of the resources, expertise and innovative techniques that would benefit the society.

Corporate Social Responsibility- an opportunity for the Business to be profitable and at the same time being responsible.

In a society where economic disparities are too evident, amassing of wealth by one section is likely to generate discontent and unhappiness amongst the others. Therefore prudence demands that while drawing up plan for the business, the corporate include activities which would bring value to the society and at the same time bringing value to the business as well. Corporate Social responsibility, therefore, not as a charity, bringing in inclusive growth and instilling solicitude in the people of the society for the business run by the corporate.

There are a few examples of how the corporate social responsibility and the business practice have been integrated by the corporate. In the District of Moga, Nestle had set up a dairy in 1962. Moga was a backward area, poverty stricken, lacking in the basic facilities like electricity, transportation, medical care etc. The livestock of the people considered of ordinary cows and buffalos without any facilities for improving their breed and yield. Nestle brought in veterinary doctors, medicines, nutritional supplements for the animals and gave training to the local people for improving the quality and yield of their animals. Financial and technical assistance also were given to the farmers so dig bore wells. When the first factory was opened by Nestle, milk was supplied by only 180 local farmers but in 2006 Nestle' had 75000 farmers in the region collecting milk twice a day from around 650 village dairies. Both Nestle' and the community have prospered due to the responsible business practices of the corporate which resulted in the economic and social development of the people in the region and at the same time bringing more profits to the business.

There is a similar success story from the village Etha in U.P. where Lipton India Ltd. started a dairy farm and took steps for educating the villagers, improving the medical facilities for both human beings and livestock and providing infrastructure for the small scale farmers.

In a move to boost higher education in the country, the Planning Commission has mooted the idea of public sector units (PSUs) setting up higher education hubs as part of their corporate social responsibility (CSR). The move will help the government in achieving its target of increasing the gross enrollment ratio (GER) to 20% by 2017 and 25% by 2022. PSUs spend almost Rs 1,400 crore as part of their CSR. As per the commission, health and education received less than projected in the eleventh plan and hence, allocations for these sectors will have to be increased in the 12th plan. "Health, education and skill development together in the Centre's plan will have to be raised by at least 1.2 percentage point of GDP... Use of PPP must be encouraged. In the 12th plan period, the commission is targeting an additional enrollment of 10 million in higher education, equivalent to 3 million additional seats for each age cohort entering the higher education system. This would significantly increase the GER bringing it broadly in line with the global average.

About 18% of all government education spending or about 1.12% of GDP is spent on higher education today. According to the commission, this should be raised to 25% and 1.5% respectively. An increase of 0.38% of GDP means an additional allocation of about Rs 25,000 crore to higher education for the centre and the states taken together. "It is tough to set up an education hub and modalities related to the revenue model, returns on investment and land are to be worked out," the Planning Commission official added. "If the programme becomes a part of CSR, then it will only be a one-time aid. We want PSUs to include it in their HR policy so that they become stakeholders and are more involved,". A majority of Indian companies that claim to give back to their immediate communities and limit the harm they cause to the environment are yet to invest significantly in corporate social responsibility, a study has found.

"CSV focuses on finding the business opportunities hidden in social problems,". "Issues like poverty, pollution, and poor health are not externalities to be dismissed, but rather core business concerns that have a substantial impact on growth and operational efficiency." Since its inception, the programme has more than doubled in size, providing health education and medical access to more than 42 million patients in 28,0000 villages, according to the report.

Other examples highlighted include low-cost medical devices built by General Electric Co. for rural markets, and Vaatsalya, a no-frills, for-profit hospital chain launched by a former medical student to provide healthcare to rural markets, and efforts by banks and banking correspondents to deliver financial services. While the concept of shared value may have originated in the West, Indian companies may be uniquely positioned to adopt it as a business strategy.

India is in the unique position of having both one of the highest economic growth rates in the world—next only to China among the major economies—and some of the greatest social needs. India also has a growing number of billionaires, besides a rapidly expanding middle class.

Despite such growth, India has the dubious distinction of having among the highest malnutrition and maternal mortality rates in the world. It's also beset by poor urban planning and deficient infrastructure. "As wealth has grown; people have become a lot more attuned to the disparities. As a part of job satisfaction, companies' own employees are starting to think about how the company they work for affects the local community."

Social Capital:

Given the millions of Indians living below the poverty line- the 'bottom of the pyramid' – "the recent UNDP initiative focusing on companies that can provide services to the nearly 4 billion people who survive on a dollar a day, and in the process, also create new business opportunities for themselves is of great importance in India's fight against poverty" Creating value for all" strategies for doing business with the poor also offer strategies and tools for companies to expand beyond traditional business practices and bring in the world's poor as partners in growth and wealth creation.

One of the most important applications of social capital is the delivery of sustainable basic services to the poor, local infrastructure and natural resource management. In the last several years, we have seen a resurgence of interest in community driven development, with community groups in charge and the focus shifting to local initiative, self-help, and local organizational capacity. Community groups have been successful, in these cases, to initiate, organize and take action to further common interests or achieve common goals. Social capital has been the key component of these efforts.

The Report concludes that "The poor have a largely untapped potential for consumption, production, innovation, and entrepreneurial activity.

The Report outlines five strategies that private business have successfully used to overcome obstacles while doing business with the poor. These include adapting products and services to the needs of the poor; investing in infrastructure or training to remove market constraints; leveraging the strengths of the poor; working with similarly minded businesses and non-profit organizations and engaging in policy dialogues. These strategies acknowledge the need to tap the inherent strengths of the poor, their entrepreneurship as well as their traditional

skills and social networks, to help them stand on their own feet. In a sense this strategy seeks to leverage the social capital available in Indian society, particularly among the underprivileged groups, to lift them out of poverty.

There are very welcome signs of the Corporate sector's increasing engagement with India's hinterland economy, where the majority of our people live. This has consolidated linkages between the rural and urban sectors of our economy, between agriculture and manufacturing, and between regions. Most significantly, the bonds between large companies and small and medium enterprises, cooperatives, and new entrepreneurs are growing.

Many companies are coming out with innovative business models that engage farmers in rural India as entrepreneurs (eg.ITC) All this strengthens our nation's efforts for making our growth more inclusive – a growth that benefits all regions and all sections of our society, particularly the poor and the under-privileged. I would like to take this opportunity to highlight some ways in which you can ensure sustainability through your corporate strategies.

First, increasing the employability of our population through effective skill development must be central to corporate strategy and not merely an afterthought resulting from difficulties in recruitment. This can also help integrate the weaker sections of our society into the mainstream economy even as industry is assured of ready to go well trained personnel. While the government has a vital role to play in the field of education and training, it cannot deliver alone. Corporate India has to be an active partner in our efforts.

Second, resettlement and rehabilitation of project affected families and ensuring that there is no adverse impact on livelihoods due to environmental degradation are major issues to be addressed by our corporate enterprises. Our growth processes must not suffer because of loss of confidence in industrialization and development. We need policies and interventions that would minimize livelihood disruptions.

Finally, ethical and responsible behaviour needs to become the cornerstone of corporate behaviour, as indeed our national outlook. Ethics encompass a wide sphere of actions, economic, social and human, involving the consumer, labour, society at large and the government.

More recently, the Hon'ble Prime Minister, Dr Manmohan Singh displayed visionary leadership when he invited corporate India to partner with the Government in making our society more humane and just and shared his Ten Point Social Charter for inclusive growth.

Our Corporate culture must be attuned to the universally accepted values of good governance – accountability, transparency, responsibility and responsiveness to stake holders. Our corporate endeavours have to be consonant with the demands of our eco system and the expectations of Indian democracy. The economic reforms of the last two decades have opened up many new opportunities. But just as over bearing controls stifle initiative; dogmatic adherence to extreme models of non-regulation can also be disruptive to sustainable growth. Ours is the middle path. We believe we must trust Corporate India as indeed you must trust us.

Modern day concepts like Corporate Social Responsibility and sustainable business are not borrowed from developed economies but have been nurtured over the millennia by our rich ethical traditions. It is indeed, now for us to add to the global repositories of evolving concepts by imprinting India's unique flavour on them. As India continues its journey towards economic prosperity and growth, Corporate India will contribute to our efforts to fulfil the dreams of the aam adami.

Good governance and credibility are key requirement for attracting investment. Corporate governance and corporate social responsibility are already part of Ministry's domain. The Administrative Reforms Commission has given an effective and comprehensive blue print for reforming governance. The Voluntary Guidelines issued by the Ministry on Corporate Governance and Corporate Social Responsibility have evoked much interest.

Recently MCA released the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business mainstreaming the concept of Business Responsibilities. The new guidelines build upon the Corporate Social Responsibility Voluntary Guidelines released in 2009, reflect a conscious shift from what is generally termed as CSR to a more encompassing concept of "Responsible Business." These guidelines have been formulated keeping in view the diverse sectors within which businesses operate, as well as the wide variety of business organizations that exist in India today – from the small and medium enterprises to large corporate organizations. From the enunciation of basic Principles to defining a broad set of Indicators for self-assessment, it also provides a Reporting framework for making disclosures to stakeholders. These guidelines mark an important first step towards a movement for greater corporate contribution in creating societal welfare.

Here I want to reiterate that the Government is not in favour of imposing its views on the corporate sector and therefore has not made it mandatory for the corporate sector to spend 2% of companies' net profit towards CSR. However, in the Companies Bill 2011, the government has proposed that companies should earmark 2% of average profits of the preceding three years for CSR activities and make a disclosure to shareholders about the policy adopted in the process.

"Government control gives rise to fraud, suppression of truth, intensification of the black money and artificial scarcity. Above all, it unmans the people and deprives them of initiative; it undoes the teaching of self-help."

-Mahatma Gandhi

The Indian economy is considered the world's ninth largest by nominal GDP and the fourth largest by purchasing power parity. But on the other hand, despite all the efforts made by the government and businesses our country is still struggling to achieve the Millennium Development Goals.

One reason maybe that the CSR culture, as such, has still not been widely built into the business structure and strategy. Business must realise its wider social responsibility. As Ela Bhatt, Founder, SEWA has said, "Business, big or tiny, is a combination of human energy and money, and to me that equals power. It is a powerful force that ought to be mobilised to effect social change, to improve the quality of life in the society where basic needs are not being met."

Buffet the world's third richest man. Although he is giving away 99% of his \$45 billion fortune, he operates less out of a sense of noblesse oblige than noblesse outrage. "We can rise to any challenge but not if people feel we're in a plutocracy," he says "We have to get serious about shared sacrifice".

The time has come to make our economic growth processes more inclusive and for businesses to realise that giving back to society makes good business sense as well. CSR can help the businesses increase its revenue, enhance market access, increase productivity, accrue savings in cost, augment access to capital, reduce risk, obtain licences to operate, retain and attract good quality human capital and significantly boost the brand value and reputation. That is why Niall FitzGerald, Former CEO, Unilever had said, "Corporate Social Responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... [But] because it is good for our business."

Businesses must consider the fact that with a dynamic CSR culture, society will benefit and when society benefits, investors also benefit. I invite the Indian private sector to strengthen Government efforts and rise to the challenge of making our country's growth processes both efficient and inclusive so as to ensure that our polity does not become anarchic, our society is not threatened by wide disparities and we do not have as many as 300 districts that are backward, where no industry will go and no investment can be done.

The Ministry of Corporate Affairs has been pursuing the agenda of providing an effective regulatory framework to the Indian corporate sector that enables them to freely exploit their entrepreneurial energies whilst contributing to the overall growth of the society.

A number of initiatives have been taken by the Ministry in the past few months in the legislative, regulatory, service delivery and capacity building areas. While undertaking these initiatives, the Ministry has also been examining the issues referred in the "Doing Business" reports of the World Bank and suitably addressing them within the scope of the Acts administered

Company Bill 2011:

13.5.

(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 activity or 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 Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such

Policy in its reports 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 make every endeavour to ensure that the company spends, in every financial year, at least two percent 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 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."

By 2030, a mere two decades from now, the world's population will have touched 8 billion. By that time, 3 billion people are estimated to live in areas of extreme water scarcity. The world will have to produce more food in the next 20 years than it has produced in the last 3000 years to feed this large population. Energy needs will increase exponentially over this period with rising incomes and urbanisation. Clearly, a rising population of such magnitude will pose new challenges as the global demand for food, fuel, feed, and fibre increases with a consequent reduction in arable land and water availability.

The Indian economy is considered the world's ninth largest by nominal GDP and the fourth largest by purchasing power parity. Also, the private corporate sector has come a long way from the days of ad hoc merchant charity and evolved, such that, the concept of CSR, is a salient aspect of many companies in India. They undertake their social responsibility in myriad ways such as establishing charitable trusts, foundations and mega institutions for public causes, directly running community development programmes, forming partnerships with the Government or NGOs, etc.

But on the other hand, despite all the efforts made by the government and businesses our country is still struggling to achieve the Millennium Development Goals.