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Emilie Levin Træsborg 36505	Speciale	IU-K2
Vejleders navn:		
Preben Kaarsholm		
Afleveringsdato:		
4. februar 2014		
Antal anslag incl. mellemrum: (Se næste side)		
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Abstract

This thesis examines how the Indian CSR-approach conforms to the global strategic CSR-trend. To conduct the study, main characteristics of strategic CSR has been identified through institutional theory as corporations, and their responsible behavior, is a dominant institution in today's globalized society. Furthermore, the traditional characteristics of Indian corporate philanthropy have been identified in order to comprehend if the Indian CSR-approach conforms to global strategic CSR in a distinctively Indian way.

Two CSR-initiatives of the Indian government along with two comprehensive reports on business-NGO relationships has been analyzed. Just as the institutional characteristics of strategic CSR, NGO-presence and government involvement, has been applied to the empirical data in the analysis. Concurrently with the knowledge of traditional Indian CSR being predominantly philanthropy towards local communities, the study has established how the Indian CSR-approach conforms to global strategic CSR-trends.

Though NGOs are numerous represented in India, their presence within CSR is characterized by mistrust from Indian corporations towards NGOs due to a history of poor management and corruption. However, business-NGO partnerships within CSR are slowly emerging and initiatives has been taken to enforce the legitimacy of NGOs in India.

In 2011 the Indian government published voluntary guidelines on how to conduct responsible business. The guidelines were developed in consultation with relevant stakeholders, such as corporations and NGOs, as the institutional theoretical framework prescribes it. Equally important, has the Indian government has recently enacted the Companies Act, 2013 of which Clause 135 concern CSR. Though legislation on CSR in itself reflects conformity to the global strategic CSR-trend, the Indian government manages to maintain a distinctively Indian CSR-approach by mandating that a statutory two percent spend on CSR must be earmarked for local communities.

From philanthropy to strategy?

- An assessment of Indian CSR.



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Afleveringsdato 04.02.2014

Acronyms

CSO – Civil Society Organization

CR – Corporate Responsibility

CSR – Corporate Social Responsibility

GDP – Gross Domestic Product

IFC – International Finance Corporation

IT-BPM – IT- Business Process Management

IT-BPO – IT-Business Process Outsourcing

MNC – Multinational Corporation

MSI – Multi-stakeholder initiative

NGO – Non-governmental Organization

NPO – Not-for-profit Organization

PiC – Partners in Change

PSU – Public Sector Undertaking

SEBI – Securities and Exchange Board of India

UNGC – United Nations Global Compact

WP – Web Page

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Motivation

Research regarding corporate social responsibility (CSR) and institutional pressures and conditions has increased during the past two decades. While research has significantly contributed to the understanding of CSR, focus has primarily been on developed economies in European and North American countries (Yang & Rivers, 2009:155). Furthermore, the literature has failed in providing a more nuanced analysis of CSR in emerging markets (Jamali et al., 2013:foreword).

Throughout this thesis, I bear in mind that *"... a Western student should not make the mistake of ethnocentrism, that is, assuming that, because the West is developed, Western values and institutions are therefore necessary for development"* (Platteau, 2000:4). However, this thesis is written with the pre-understanding that multi-national corporations (MNC) need and demand an institutional CSR environment that understands, accepts and complies with the corporation's CSR policies and activities.

Exploring CSR in an emerging market context is important because these countries often present a distinctive set of challenges in setting the CSR agenda, which may have qualitative differences from those, faced in the developed part of the world. As CSR is becoming increasingly important to Indian corporations as well as foreign MNCs, it is crucial to understand the CSR environment in India.

My concern is therefore that if India intends to continue the impressive growth rate, which is already declining¹, (Nair, 2013:wp), it is paramount that the country is capable of adapting to international CSR trends, which start in the institutional conditions. Furthermore, the institutionalizing of responsible behavior within businesses is vital, as the absence of this process will mean that the influence of even a well-intentioned business leader may have limited impact on the poor (Arora & Puranik, 2004:95).

¹ The World Bank has lowered India's growth forecast for the current financial year (2014) from 6.1% to 4.7%. (Nair, 2013:wp). See appendix I for a graphical view.

1. Problem area

1.1 Introduction

The business environment has undergone huge changes in the recent years – both in terms of the nature of competition and the wave of globalization that has made companies expand their boundaries from their country of origin to the evolving markets in the developing countries and emerging economies (Kanani, 2012:79).

Concurrently with this development, there is a general agreement, that in the global economy, businesses often play a greater role beyond job and wealth creation which makes corporations more powerful than ever before (OECD, 2011:13; Hopkins, 2007:228). This also means that corporations have a greater responsibility towards society as the changing needs of a globalizing world are altering society's expectations to business behavior (Hopkins, 2007:228; Gopinath, 2005:339).

Following this development in the world order, there has been a change in the triangular relationship between companies, the state and society, and through this change corporations can no longer act as independent entities as they now have greater responsibility towards society (Kanani, 2012:78). Like globalization today is taking place within an institutional environment (Sood & Bimal, 2006:1), corporation's responsibility towards society is affected by the institutional environment in which they act. Here formal rules must be complemented by informal norms to achieve the desired development results (Platteau, 2000:foreword).

Yet business responsibility is by no means a new phenomenon; the relationship between companies and society has been transforming from one of philanthropic coexistence to one where the mutual interest of all stakeholders is gaining pivotal importance. Companies are in particular beginning to realize that in order to gain market share and to ensure continued existence, their business practices must be sustainable and increasingly focus on public goodwill and responsible business and not solely on profit and reinforcement of their corporate image from philanthropy (Kanani, 2012:78).

This means that while the economics of outsourcing is too compelling to be ignored in a global economy built on the hard realities of comparative advantages (Rajadhyaksha, 2007:11), CSR has become a comparative advantage that is not to be overlooked.

India

Simultaneously with globalization the world order has changed and the world society is slowly recognizing the growing dominance of countries outside the traditional developed countries as important and powerful nations. Emerging markets like India have managed to change their image and draw the attention of large MNCs for potential market growth and economic growth from the advantages of globalization (Kanani, 2012:78). This global tendency has greatly impacted the Indian economy that has been one of the fastest-growing economies over the past quarter-century (Rajadhyaksha, 2007:2).

To maintain the positive economic growth in India through outsourcing², the country needs to continuously be attractive to foreign MNCs and present competitive advantages. One of the areas where these corporations can compete and the comparative advantages can have a say is in CSR. Of equal importance is that emerging economies, like India, will not appear as loopholes for MNCs to circumvent international expectations and regulations in conducting business. This means that the Indian institutions surrounding CSR must provide an environment where Indian corporations and MNCs can conduct a CSR-approach that is in accordance with global trends.

However, critics argue that there are numerous obstacles to achieving a strategic responsible behavior, particularly in many developing countries where the institutions, standards and appeals system, which give life to CSR in North America and Europe, are relatively weak (Kanani, 2012:79). Furthermore, scholars have highlighted a core challenge pertaining to moving CSR beyond philanthropy in developing countries (Jamali et al., 2013:foreword).

CSR in India

Many actors have from the beginning of the 19th century to Mahatma Gandhi's trusteeship theory³ to the international global agenda today impacted corporate philanthropy in India (Sood & Bimal, 2006:5-7). Today corporate philanthropy has become a part of the concept that is very difficult to define, CSR. As stated 40 years ago "*corporate social responsibility means something, but not always the same thing to everybody*" (Garriga & Melé, 2004:51-52).

² Though agriculture and basic industry contribute with a larger portions of India's GDP, no other group of businesses have performed so well in the last few decades as the nation's tech sector and software industry which encompasses a large part of India's software and service exports (Navellier, 2010:wp). According to Nasscom (the industry association for the IT-business process management (IT-BPM) sector in India), the IT business process outsourcing (BPO) sector represents 6.4% of the Indian GDP and accounts for 14% of total exports (Nasscom, no date:wp).

³ Referring to Gandhi's theory on the responsibility of corporations to share their wealth with society. This will be further elaborated in *Chapter 4* on Indian economic policies and the evolution of corporate social responsibility.

Though CSR undergone many phases in India (Gowda, 2013:9), researchers have hypothesized that CSR in emerging markets is still at a very embryo stage, and the necessary mechanisms are not yet in place to ensure that corporations conduct CSR with more than a charitable outlook (Kanani, 2012:79).

One of the many arguments for studying the CSR-environment in India is that India, among other countries, has one of the richest traditions of CSR. Another factor is the efforts that have been put to make Indian entrepreneurs aware of engaging in CSR as an important aspect of their business activity in recent years. However, CSR in India has yet to receive widespread recognition and the country's CSR approach still does not conform to the global agenda (Gowda, 2013:1; Chahoud, 2006:666).

CSR in a global agenda

There is sufficient evidence in the CSR literature to suggest that there are significant differences in the management and orientation of CSR across different countries (Yang & Rivers, 2007:157). While the CSR multi-stakeholder approach is gaining ground on a global level, business self-regulation and external CSR-activities are still dominant in India (Chahoud, 2006:671). Institutional differences between high and low income countries and their apparent influence on different CSR orientations pose serious dilemmas and challenges to MNCs which have outsourced to emerging markets (Yang & Rivers, 2009:157-158). The fact that developing countries present peculiar institutional constellations that affect CSR is now well recognized (Jamali et al., 2013:preface).

To make the most of CSR and ensure corporations' responsible behavior, it is necessary that a country has the adequate institutional framework to inspire, encourage and ensure this behavior. According the modernization approach in the 1960s, traditional societies cannot transition smoothly into the industrial era because their social structure and norms are inimitable towards the required changes; their traditional features are incompatible with modern society (Platteau, 2000:1). This attitude towards development was later heavily criticized and therefore almost banished, though the role of cultural norms and institutional factors are still of considerable importance to development. Hence it is important to expose the institutional mechanisms in the Indian CSR-environment to understand, if the institutional framework can manage the expectations from foreign MNCs regarding CSR.

To summarize, the hypothesis is that the philanthropic approach to CSR continues to dominate in India. This thesis seeks to examine and understand the present institutional CSR environment in India, as emerging economies and developed countries increasingly cross paths due to the globalized world order and the outsourcing it has brought along.

1.2 Problem formulation

- *Is there a global strategic CSR-trend, what is it, and how does the Indian CSR-approach conform to it?*

1.2.1 Research questions

Research question 1: Which institutional mechanisms define global strategic CSR?

Research question 2: What are characteristic features of the CSR-tradition in India and how has it developed historically?

Research question 3: How are the identified institutional strategic CSR mechanisms present in India?

Research question 4: Which obstacles do the Indian CSR-environment face to align with global trends?

1.4 Scope

Philanthropy vs. strategy

The study is initiated from the conception that the Indian CSR-environment is different from the global trend within CSR, without any relevance to advantages of the two approaches. The present thesis will not discuss nor decide whether the philanthropic approach or the strategic approach is more competitive for businesses or profitable for the society.

The dominance of the developed world within CSR-discussions

To be able to work thoroughly with the field of research, I try to refrain myself from studying the dominance of the developed world within the CSR-debate. There is, however, no doubt of the relevance of the discussion, as much CSR is conducted in or addressing developing countries and while the majority of the debate concerning the subject takes place in the developed world.

1.5 Reading guide

Chapter 1 – Problem area

The first chapter outlines the relevance of the field of research presenting the importance of CSR in corporations and competitive markets, as well as the differences between Western and Indian CSR. A more detailed description of the two approaches is needed and will be provided in chapters 3 and 4.

Chapter 2 – Methodological framework

In the second chapter, the methods and literature applied in the study are presented to provide the reader with an understanding of the methodology and purpose of the study. This will facilitate the reading by a clear understanding of the study at an early stage.

Chapter 3 – Theoretical framework

The third chapter provides a basic understanding of the importance of institutions and of the role institutions play in economic development applied by Jean-Phillippe Platteau's theoretical framework. An evaluation of Platteau's insights on institutions along with an evaluation of Campbell's institutional analysis, provide a theoretical framework of the institutional characteristics of strategic CSR answering the 1st research questions. This theoretical framework is necessary to comprehend how it differs from the Indian CSR-approach which is presented in the following chapter, and thus how the Indian CSR-approach conforms to the global strategic trend.

Chapter 4 – Indian economic policies

In the fourth chapter, the 2nd research question is answered. Here the history of the Indian economic policies and the evolution of CSR since independence are briefly accounted for and the main characteristics of the traditional Indian CSR-approach outlined. This serves as insight to how India has developed since independence. Because these economic policies are contributing to the tradition of CSR in India, it is important to gain common ground to support further analysis and discussion of the Indian CSR-approach in relation to the global CSR trend.

Chapter 5 – Empirical data

In this chapter the empirical data on the presence of NGOs and government involvement in India is presented to enable analysis of how Indian CSR conforms to global CSR trends. The empirical data is represented by two reports on NGO presence and a set of Guidelines as well as the Clause 135 of Companies Act, 2013.

Chapter 6 – Analysis

The first part of the analysis deals with the role of NGOs in a business-NGO relationship and the role of Government involvement in the Indian CSR-environment. It is disclosed if the two identified institutional mechanisms of strategic CSR are present, and hence, reflects if the Indian CSR-environment conforms to global trends. The second part of the analysis treats how the Indian government in particular influence the

CSR-approach, and if the Government and NGOs contribute to maintain an Indian philanthropic approach or attempt to conform to global trends.

Chapter 7 - Discussion

In this chapter, the 4th and final research question is answered through a discussion of the Indian definition of CSR, a reflection of the identified institutional mechanisms and a reminder of the unique features of India.

Chapter 8 – Conclusion

The conclusion provides the findings of the study, derived from theoretical identification of the institutional mechanisms of strategic CSR and empirical data of the presence of these mechanisms in India and how they influence the Indian CSR-approach. The conclusion will thereby answer the problem formulation, *'Is there a global strategic trend, what is it, and how does the Indian CSR-approach conform to it?'*

2. Methodological framework

This chapter presents the methodological framework of the scientific analysis of the institutional CSR-environment in India. Introductory, the section on research design will present the logical structure of the study. This will be followed by the methodological choices and reflections made prior and during the study. The study is conducted with an ad hoc approach to derive knowledge, meaning that instead of settling on a specific way to derive the knowledge, the nature of the empirical data have led the process. This is an intentional decision made after working intensely with the research area; the ad hoc-approach showed to make the most valid conclusions in the end. Furthermore, the validity of the theoretical and empirical data, as well as the reliability and generalizability, of the study and its findings will be discussed. Finally an analysis strategy will present the structure and content of the analysis leading to the final conclusion.

2.1 Research design

The research design deals with the logical structure of the inquiry, wherefore the present section articulates what data is required, from whom, and how it is going to answer the research question. The function of this research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible.

Descriptive research, like the present, asks research questions that aim at explaining *what* is happening instead of *why* (explanatory research) it is going on. However, to give a complete picture of how the Indian CSR-approach conforms to the global strategic trend, it is necessary to understand the premises. Even though the problem formulation indicates a descriptive study, the journey to answer it in the analysis and the subsequent conclusion, will show examples of use of an explanatory approach.

This research design intends to ensure "*that the evidence obtained enables us to answer the initial question as unambiguously as possible*" (de Vaus, 2001:9), thus it is important to specify the type of empirical data needed to answer the thesis question. To answer the present problem formulation, evidence that clarifies and defines the global trends is needed. When this trend is accounted for, evidence to form a picture of CSR in India is conducted. Likewise, the research questions are presented in the Problem area, articulated to conduct empirical data that initially will answer the problem formulation.

What is required to answer to problem formulation?

Firstly, a literature search on the concept of global strategic CSR must be started to gain an understanding of which institutional mechanisms characterize this trend. This means that a definition and understanding

of traditional CSR in India is acquired; enabling the reader to distinguish the two forms of CSR from each other.

When the nature and characteristics of the institutional mechanisms within global strategic CSR are defined and accounted for, the next step within data collection on CSR in India is initiated. It is essential that the presented empirical data is in accordance with the strategic parameters, in order to provide a reliable analysis and subsequent conclusion. Thus, the empirical data will present in-depth knowledge on the presence of NGO's in Indian CSR and on the Indian government's involvement in CSR.

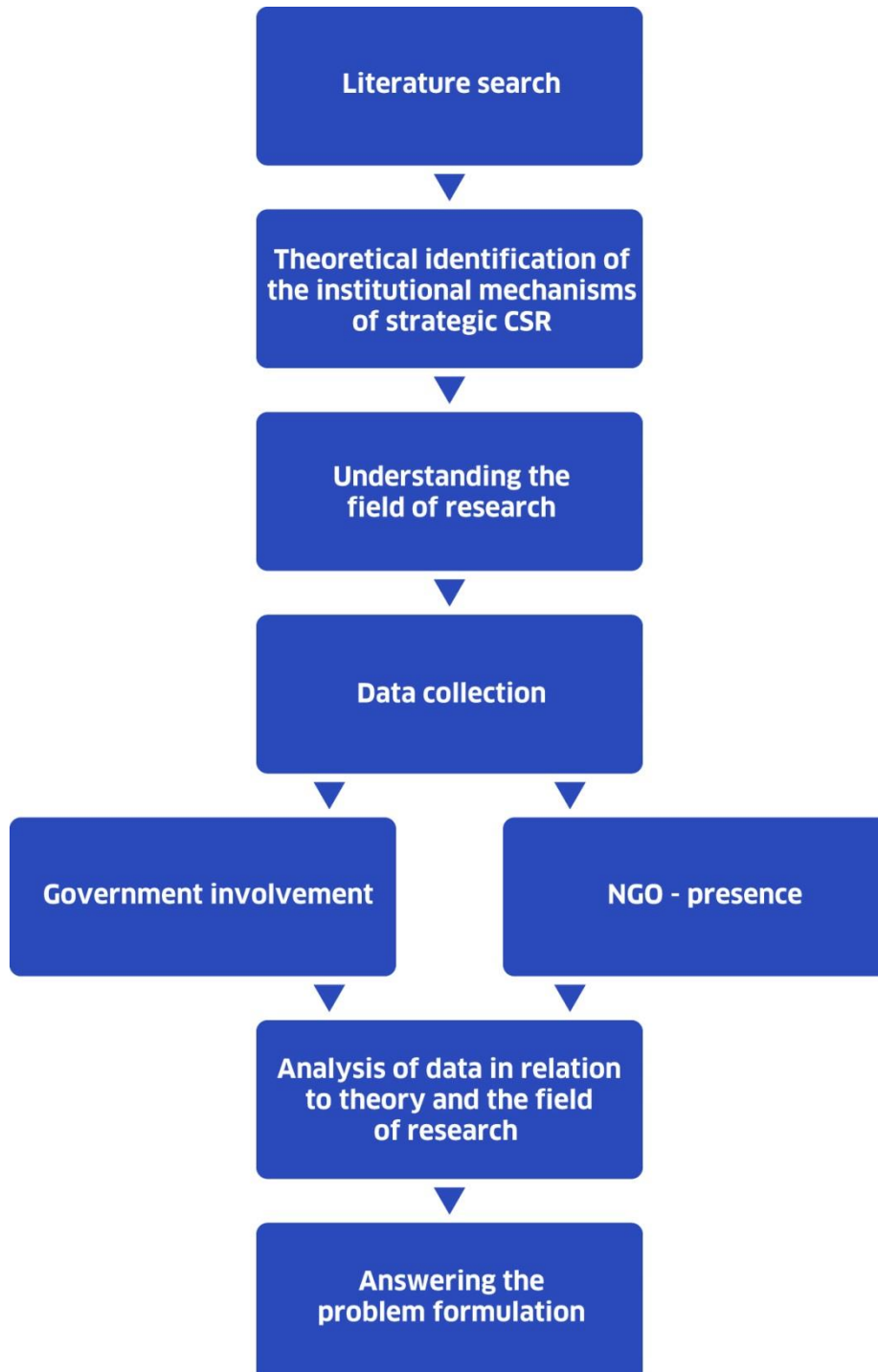
Who will provide the theoretical knowledge on strategic CSR?

Given that this study deals with a global strategic trend and it is embedded in the Indian institutional CSR-environment, it is crucial to provide a theoretical understanding of the concept of global strategic CSR within an institutional environment. This understanding is obtained through institutional and CSR scholars as the main theories and studies on strategic CSR are applied from Jean-Phillippe Platteau's '*Institutions, Social Norms, and Economic Development*' and John L. Campbell's '*Institutional Analysis and the Paradox of Corporate Social Responsibility*'. The main authors are accompanied by various scientific articles on CSR by Western as well as Indian scholars.

How does this answer the research question?

Upon clarifying the concept of global strategic CSR by theoretically defining the main institutional characteristics to be the presence of NGO's and government involvement, these will serve as analytical parameters. Thus, the data collection will be based on reports, books, and articles containing studies that provide useful knowledge on the presence of NGOs and the Indian government within the CSR-environment. The fourth chapter on Indian economic policies has outlined the history of Indian economics since independence, and thus supplied an empirical understanding and definition of the characteristics of traditional Indian CSR. Next, a theoretical definition of strategic CSR, an empirical definition of philanthropic CSR and data on the presence of the strategic characteristics in a historically environment in India, follow. These data will be analyzed in relation to the theory and to the understanding of the Indian society to determine how the Indian CSR-approach conforms to the global trend.

2.1.1 Visual research design



2.2 Theoretical methods

As clarified in the previous section, the research methods differ from the research design. As the logic of the choices made has been accounted for, this and the following subsection present the mode of the data collection. One might say, that while the research design outlines the choices made on a general level, the research methods describe these choices, and their consequences, on a more practical level. This subsection presents and discusses the methodologies of the applied theory.

2.2.1 Choice and use of theory

The focus on the *institutional* characters of strategic CSR is chosen because CSR has become institutionalized in society and is continuously gaining legitimacy (Bondy et al., 2012:281). Furthermore, as shortly presented in the chapter on Motivation, the choice is based on the fact that studies on the institutional aspects of CSR previously have been greatly neglected (Campbell, 2006:926; Bondy et al., 2012:282) Only recently have these aspects become widespread (Brammer et al., 2012:4), especially in developing countries since most studies have been concentrated on developed economies in European and North American countries (Jamali et al, 2013:1).

This is unfortunate as institutional theory provides a powerful tool for explaining how we come to understand and accept different attitudes and practices in a particular social context (Bondy et al., 2012:282), just as institutional theory is useful in exploring the relation between business and society. (Brammer et al., 2012:3). Institutionalism is furthermore applicable in understanding CSR, as "*institutions consist of cognitive, normative and regulative structures, that provide stability and meaning to social behavior*" (Fuglsang, 2004:141). Hence, to study how India conforms to the global CSR-approach, an institutional analysis is self-evident.

The theoretical framework in the thesis is constituted of Jean-Phillippe Platteau's⁴ thoughts on institutionalism and development in '*Institutions, Social Norms, and Economic Development*' as well as John L. Campbell's⁵ institutional analysis of '*[...] the paradox of Corporate Social Responsibility*'.

Platteau does not engage directly with CSR which means that, for the purpose of the study, his thoughts on institutions and economic development have been interpreted and applied to the field of research - CSR. However, as the study does not use Platteau to define characteristics within strategic CSR, but to give insights on institutions and guidelines on their behavior, when emerging and developing countries seek to

⁴ A short introduction to Platteau is found in Chapter 9 on Clarification of concepts.

⁵ A short introduction to Campbell is found in Chapter 9 on Clarification of concepts.

adapt phenomena from the developed world, it is believed that his thoughts on institutions are appropriate. Also, it would be problematic if Platteau was the solely provider of theoretical insight. However, Platteau is accompanied by Campbell who delivers the details that specifically deals with CSR.

From Campbell's study on the institutional conditions that pressure corporations to behave in more responsible ways (Campbell, 2006:928), a focus on pressure from NGOs and government involvement is chosen as these two are general potential institutional gaps that might affect the expression of CSR in developing countries. Campbell does not provide a definition of what is defined as the strategic global CSR trend⁶ for which reason the second part of the theoretical framework chapter is partly analytical. There is no universal definition of CSR (Sharma, 2011:4; Chahoud, 2006:662) and the concept is ever changing (Garriga & Melé, 2004:51-52), consequently, neither is a universal and lasting definition of strategic CSR. However, as Campbell's study is based on empirical findings from Japanese, European, and American corporations and institutional environments, these are regarded as representatives of the global strategic CSR-approach.

To substantiate the definition of strategic CSR, the theory is supplemented with several scholars within Western and global CSR. Though Campbell presents several institutional pressures within CSR, there is no doubt that civil society involvement and government interference are the most common characteristics of the institutional characteristics of strategic CSR (Chahoud et al., 2007:18; von Marrewijk, 2003:96; Campbell, 2006,930; van Huijstee & Glasbergen, 2010:250).

There are some disagreements on the role of governments in strategic CSR. While some believe that governments should do legislation and regulation (Yang and Rivers, 2009:159) others believe that governments should only provide an environment wherein business can be self-regulatory in cooperation with their stakeholders, such as civil-society organizations (CSOs) (van Huijstee, 2012:14). From either view, some sort of government legislation or regulation must be present to encourage responsible behavior.

Because NGOs are represented to a great extent in India⁷ and traditionally have been employed by corporations to implement philanthropic initiatives⁸, a focus on this type of CSO is prioritized, and thus, restricted the study from focusing on labor –and trade unions and other CSOs, for instance.

⁶ The definition of CSR in the current study is presented in Chapter 9 on Clarification of concepts.

⁷ This will be accounted for in Chapter 5 on Empirical data.

⁸ This will be accounted for in Chapter 4 on *Indian economic policies and the evolution of Corporate Social Responsibility*

2.2.2 The scientific position of the theory

The position of the theory and the characteristics of strategic CSR can be defined as having both inductive and deductive features, as the theory holds several purposes. The way the institutional characteristics of strategic CSR are derived is inductive. A few cases are observed, and based on these; a general trend is concluded and used the data to create a theoretical position (Holland & Campbell, 2005:29). The dominating features of the global trend within CSR are a strategic multi-stakeholder approach with NGOs and governments being the predominant characteristics. However, though these conclusions are made with application from the given literature, studies, and context, they are not meant to be generalizing, as society is forever changing and composed by social constructions that are forever changeable.

Furthermore, there are no inductive intentions of establishing laws for the behavior of the phenomena and for the purpose of generalization from singular observations to general causes (Pedersen & Toft, 2004:57).

In the analysis, the study and its use of theory are more deductive as the characteristics of strategic CSR are now applied to the special case of 'the Indian CSR-environment' and tested for goodness of fit (Holland & Campbell, 2005:28-29). The analysis that will answer the problem formulation is deductive as data is used to test the position of CSR (Holland & Campbell, 2005:29).

2.3 Empirical methods

This subsection presents and discusses the methodologies of the empirical methods and empirical data. It furthermore briefly presents the choice and use of secondary literature.

2.3.1 Choice and use of empirical data

When dealing with a topic as new and constantly evolving as CSR, is it important to be careful in selecting and using sources. With the emergence of the concept of CSR in mind, the thesis endeavors to use the most recent sources from esteemed scholars. A certain limit or expiration date at which sources are deemed 'too' old is not addressed, but efforts have been put into continuously striving for the use of studies from within the past five-six years. However, as Platteau is primarily used as a generalist, his book from 2000 is considered valid. In contrast, the Company Act is so recent that all the applied secondary literature is from 2013.

In the study, four documents or reports serve as primary empirical data. Two of which are documents from the Indian government: "The National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business" (henceforth referred to as 'the Guidelines') published by the Indian Ministry of Corporate Affairs in 2011 and "Clause 135" in the "Companies Act, 2013" prepared by the Indian Ministry of Law and Justice and published by the Indian Ministry of Corporate Affairs in 2013. The other two reports,

Partners in Change's (PiC) "Fourth Report on Corporate Social Responsibility in India 2006-2007" from 2007 and SOS Children's Villages' "Changing Trends in Business-NGO Relationships in India" from 2011 are quantitative studies, based on questionnaire surveys on business-NGO relationships in India. To ensure complete transparency in the use of empirical sources, an account of the way they are referenced to is found in appendix II.

Partners in Change's "Fourth Report on Corporate Social Responsibility in India 2006-2007"

The report from the Non-Profit Organization (NPO), Partners in Change (PiC), on Corporate Responsibility in India will serve as the main data source and will be supported by various scientific articles. PiC was established by Action Aid when the international NGO decided to initiate an autonomous NGO to provide an institutional framework to the work with businesses, and with a mandate beyond that of Action Aid. Although PiC is a Civil Society Organization (CSO), and the risk of them being biased is present, it is found that they, due to their mission and the extent of their study, serve as a reliable source on the influence of NGOs in Indian CSR. PiC is focusing on building sustainable partnerships between the corporate sector and social development initiatives in India. Their declared goal is to become an recognized organization, both by companies and civil societies, and to be a reliable facilitator for building partnerships between NGOs and businesses in India. When presenting the findings from PiC report, CSR will be referred to as CR, as this terminology is used in the report. There are no methodological implications in doing so; they cover the same area - sometimes institutions simply refrain from using the term CSR due to the many different understandings of the concept.

The report provides insight to various aspect of CSR. However, focus will be on the results related to the addressing of the Indian CSR-approach and how the Indian CSR-environment conforms to the global trend. The organization's overall aim is to promote partnerships between business, communities, development, and government (PiC, 2007:ii). The study examined CSR-related issues in 552 companies, across six sectors in seven business centers in India⁹. 78 percent of the respondents were Indian companies, 15 percent were public sector units (PSUs), and seven percent were foreign or MNCs. Of the Indian companies, 50 percent were privately held, 49 percent were public while only one percent were partnerships (PiC, 2007:11).

SOS Children's Villages' "Changing Trends in Business-NGO Relationships in India – Evolving patterns and emerging opportunities to maximize the benefits of innovative collaboration"

⁹ The seven business centers are Mumbai, Chennai, Kolkata, New Delhi, Hyderabad, Bangalore and Ahmedabad (PiC, 2007:11).

The SOS Children's Villages is a worldwide independent non-governmental social development organization, active in the field of civil rights. The organization is present in more than 130 countries and territories, and the organization has existed in India since 1964 (SOS Children's Villages India, no date). The SOS Children's Villages report "*Changing Trends in Business-NGO Relationships in India – Evolving patterns and emerging opportunities to maximize the benefits of innovative collaboration*" draws on data from a number of publications and presentations on the state of CSR in India, and from a consumer survey of 20 Indian businesses on their existing CSR-practices and relationship with their NGO partners, including five interviews with industry insiders having insights the business-NGO interactions (SOS Children's Villages, 2011:1).

Though both reports, which constitute the majority of the data on NGO and business in CSR in India, are produced by NGOs they are believed to provide a nuanced insight due to their data sources; corporations or reports conducted by private corporations. However, if either of the reports were the single source of empirical data on NGO-business relations, it would be difficult to regard the findings of the present study as reliable as they individually would not provide sufficient valid data.

The Guidelines and the Companies Act, 2013

As the Guidelines are voluntary and not mandatory, they are not completely compatible with government regulation or legislation. The Guidelines are, however, a government initiative and its contents and the process of development act as a token of the Indian government's stance on CSR. As government involvement is identified as a dominating institutional characteristic of the global strategic CSR trend in the chapter on Theoretical framework, both the Guidelines and the Companies Act, 2013, are considered to provide valid empirical data that ensures reliable findings.

The Guidelines are not mandatory; hence, their exact content will not be presented or analyzed. Instead, it is found more relevant to look into the process of developing the Guidelines as well as understanding the underlying thoughts, forming an impression of the Indian Government's position on CSR. The considerations the Indian government have made on CSR, and therefore deployed in the Guidelines, provide an understanding of where the government would like India to be on a CSR-scale. When presenting the Clause 135 in the Companies Act, 2013, the content of the law is discussed to decide, how the Indian Government conforms to global strategic trends.

The fact of there being multiple voluntary guidelines in India as well as international guidelines which some Indian corporations and MNCs report to follow is considered. Clause 135 replaces the requirement¹⁰ from the Securities and Exchange Board of India (SEBI) of 2012. These requirements are not reviewed as the new Companies Act, 2013, will come into force from financial year 2014/2015 and this replaces the requirements, thus, it is found more relevant to analyze and discuss this act. The guidelines and the Companies Act, 2013, are supported by secondary literature that also seeks to interpret the meaning and consequences of the government initiatives. The empirical data on NGO-presence also encompasses knowledge from scholars on NGOs and CSR as well as statistical facts on NGOs in India.

2.3.2 Reflections on choice and use of secondary literature sources and web pages

As previously emphasized, CSR is a modern phenomenon which, in this case, means that information is predominantly available online. Online databases¹¹ accessible through Roskilde University as well as Google scholar are used when searching for scientific articles with CSR in general, strategic CSR and CSR in India as search areas. When judging the validity of a source, the impact factor and professional reputation of the journal or publication place is taken into account, just as the recognition and professionalism of the authors is used for seal of approval.

The web pages used for reference primarily belong to a government body, newspaper or NGO. Most of the newspaper articles have been used as secondary literature regarding NGOs and the Companies Act, and if specific facts (such as the number of NGOs in India¹²) have been given, these are verified them elsewhere from a second source. It is justifiable to make use of web pages in these cases, as the information here is as recent as possible and because web pages and online newspaper articles compliment the scientific articles with alternative, yet useful data.

To account for the history of Indian Economic policies as done in the fourth chapter, the main sources used are books due to their extent and academic breadth as a brief insight into Indian economic policies for past seventy years is provided. In addition, many books relatively recent publication (primarily from within the last four years) are included, and therefore also capable of providing a picture of India today.

2.4 Analysis strategy

Part one – The role of NGOs and the Government in Indian CSR

¹⁰ The SEBI Business Responsibility requires the top 100 corporations in India to report on CSR in their annual reporting from financial year 2012/2013 (KPMG, 2013:26).

¹¹ Literature searches are primarily performed on EBSCOhost and ProQuest, encompassing all databases.

¹² This will be presented in Chapter 5 on Empirical data.

The analysis is divided into two parts, each analyzing how the Indian CSR-approach conforms to the global strategic trend. The role of the two identified institutional characteristics of the global CSR trend – the presence of NGOs and government involvement - is analyzed in the first part of the analysis. As institutional theory within strategic CSR prescribes the involvement of NGOs and government, is it important to disclose, if they actually have a say in the Indian CSR-environment. Their role will be analyzed in relation to the theoretical framework and the understanding of philanthropic CSR. According to the theoretical framework, NGOs should act as more than employees receiving donations from corporations to implement in local communities, and the organizations have to take part in the CSR-designing process and act as society's watchdog (Campbell, 2006:930). The Indian government will be analyzed in relation to the process of designing the Guidelines and Clause 135, as theory prescribes that the government should consult with corporations when legislating on CSR.

Part two - The influence of NGOs and the Government on the Indian CSR-approach

The second part of the analysis examines if and how NGOs and the Indian government influence the Indian CSR-approach to be either philanthropic or strategic. This will be analyzed through the nature of the Guidelines and the provisions in Clause 135 to disclose, if the Indian government has moved towards a more global CSR-approach by removing focus from philanthropy and community development. The analysis will furthermore reveal if the NGOs are capable of acting according to the theoretical framework and are demanding to take part in a multi-stakeholder process.

Discussion

The analysis will be completed with a discussion of the implications of the methodology in the analysis, and thus, a discussion of the findings of the study will follow in order to properly answer the problem formulation in the Conclusion. Various relevant aspects on the field of research such as the Indian definition of CSR will furthermore be discussed.

3. Theoretical framework

This chapter starts with a theoretical insight of the importance of institutions in economic development. Jean-Philippe Platteau is the main author in providing an understanding of the role of the institutional environment in economic development through history. The overall institutional thoughts within *strategic CSR* will furthermore be accounted for by Campbell and additionally various other scholars, and an illustrative summarizing of the characteristics will follow. Finally, an *operationalization of the theory* will thoroughly explain the further use of the identified institutional characteristics of the global strategic trend.

3.1 Institutional theory in development studies

Institutions provide the framework for our society and create stability in what would otherwise be a chaotic life. There are many types of institutions that act across each other in modern society, which has undergone various changes over time to reflect the demands and wishes of society in terms of how our society should be structured and managed.

The importance of institutions has been recognized for long and the involvement and role of institutions in economic development has been object to discussion for centuries. The specific role and mode of institutions in development research has varied over time, just as understanding the importance of institutions when a society needs to change and evolve. As business organizations, and their corporate behavior, today are one of the dominant forms of institution in society (Gopinath, 2005:341), it is paramount to gain an understanding of institutions and thus focus on institutions in the study of CSR in India.

In the mid-19th century, Karl Marx stated, that *'the movement of historical progress is caused by the dialectical interplay of two sets of factors, namely the productive forces and the production relations'* (Platteau, 2000:6). In short, Marx believed that this movement naturally would take place when changes in the productive forces (capital goods, raw material, labor power etc.) and the associated production relations happened as a result of a successful political revolution which is bound to induce changes in the political institutions and values of society. (Platteau, 2000:6-8).

Later it was believed that traditional values, attitudes and institutions might act as a hindrance to economic development. Whenever these informal mechanisms are hostile to economic advancement however, they will eventually adapt themselves to new economic opportunities, yet as this adaptation may take time, traditional culture is likely to slow down the rate of change and also distort its effects. (Platteau, 2000:4-5). Though this view is almost 60 years old, it encompasses some of the thoughts that underlie the research

question in the present thesis. Namely, whether Indian institutions are adapting to global trends, within CSR, taking their long tradition of philanthropy into consideration?

Institutions are complicated as they are '*cultural embodiments ... [that] reflect the value systems and historical antecedents of the societies in which they prevail ...*'.(Platteau, 2000:XVII). The diversity of institutions is also reflected by the fact that there are several directions within institutional theory. Rational choice institutionalism, organizational institutionalism and historical institutionalism are the three main types of institutional analysis and with the common ground that they all focus on how institutions constrain and enable behavior. (Campbell, 2006:926).

Rational choice institutionalism stems from neoclassical economics and defines institutions as formal and informal rules. They believe that actors are motivated by a logic of instrumentality but that their actions are institutionally constrained. Organizational institutionalism originates more from phenomenology and cognitive psychology and defines institutions as formal rules and taken for granted cultural frameworks, wherein actors are motivated by a logic of appropriateness whereby actions are constrained and enabled by cultural frames, schemes and routines. Lastly the historic institutionalism stems from the Marxist and Weberian political economy and defines institutions as formal and informal rules and procedures. This understanding of institutions assumes that actors are motivated by logics of both instrumentality and appropriateness in ways that are constrained by rules, procedures, cognitive paradigms and principled beliefs. (Campbell, 2006:926).

Platteau believes that institutional factors exert a significant impact on growth rates and he furthermore stresses the importance of developing countries defining and finding their own way out of poverty, through a strong institutional and organizational apparatus, instead of copying the models and methods of developed countries and following recommendations and regulations from thinkers and theorists from the developed world. Furthermore, a better implementation of the rule of law will significantly and positively affect growth prospects. (Platteau, 2000:XVI). However, it is enormously difficult to successfully transplant institutions which have worked in developed countries into the terrain of other countries which have different stories (Platteau, 2000:XVII), like India. Instead each country must find its own institutional pattern of development. (Platteau, 2000:XVII).

Instead of copying institutional frameworks from Western countries, developing countries will find their way out of poverty when they learn to comply with the demands of economic modernization, within their own cultural and social traditions. However not an easy task, it is possible, if '*major efforts... [are] made to*

change people's perception so that economically efficient technology and institutions are acceptable to them'. (Platteau, 2000:xvii).

The dynamics of formal and informal institutional mechanisms can be illustrated through the role of business networks and its relation to the legal systems. The development of the rule of law is undoubtedly a central characteristic of the modern growth process of all the pioneer countries. Furthermore, scholars argue (in the late 1990s) that the commercial legal system, found in advanced market economies, may be considered as a substitute to business networks. Hence as the laws are developed out of informal contract enforcement mechanisms via trade organizations, it makes the business networks (understood as groups obeying the same internal norm) less necessary. However in some developing countries extensive business networks rooted in deep tradition of personalized relations and reciprocal commitments (like in India¹³) has given rise to a community that does not need to rely on formal legal contracts as we are used to in most Western countries. (Platteau, 2000:285-286).

Though informal norms *can be* substitute to formal laws and institutions, it is more likely that formal and informal institutions are mutually supporting. Law also works as a supplement, and not a completely replacement, for informal enforcement of norms. They thereby indirectly cooperate in sustaining the coexistence of the market, the state and the community. (Platteau, 2000:287,291).

2.2 The trend of global strategic CSR

CSR contains a great proliferation of theories, terminologies and approaches and likewise there are countless opinions on the role of institutions, actors and stakeholders within CSR. (Chahoud, 2006:664; Garriga & Melé, 2004:51). This presentation will seek to clarify and identify some of the institutional mechanisms that characterize global strategic CSR, as well as account for the nature of the CSR-initiatives that dominates strategic CSR. I am fully aware that there are several other mechanisms and characteristics that might define a global strategic CSR trend but I have chosen to focus on two aspects – presence of NGOs and government involvement which will be accounted for in the succeeding.

The global trend within CSR is that the concept has developed from self-regulation approaches and solely philanthropy, into a more comprehensive framework of co-regulation based on multi-stakeholder initiatives. (van Huijstee & Glasbergen, 2010:250). Until the 1980's the global CSR agenda was largely dominated by traditional self-regulation but from the from the 1990s and onwards there has been a shift

¹³ The idea of trusteeship, that will be accounted for in Chapter 4 on The Indian Economic Policies and evolution of Corporate Social Responsibility.

from the early self-regulation approach towards a gradual raising of standards. (Chahoud, 2006:664). Today the approach is more of a proactive and strategic form of CSR in which mutual dependencies with NGOs and governments can be made productive in both corporate and societal terms. (van Huijstee & Glasbergen, 2010:250).

The approach that is referred to as the global strategic approach in the present thesis is in the literature also referred to as the multi-stakeholder approach or multi-stakeholder initiatives (MSIs). Campbell defines stakeholders as *'individuals or groups with which the corporation interacts who have a stake or vested interest in it, such as employees, consumers, suppliers, and local communities'*. (Campbell, 2006:926).

MSIs are dependent on government regulation and civil society organizations to cooperate with companies – hence a *multi-stakeholder initiative*. The multi-stakeholder approach indicates that corporations are not only accountable to themselves, their shareholders and profit maximization but also to the all of stakeholders interests that can affect or be affected by the companies' actions. (von Marrewijk, 2003:96). Thus is the definition of CSR in the global context that *'CSR is a firm's strategic approach and initiatives toward its stakeholders'*. (Yang and Rivers, 2009:156).

This means that CSR implementation procedures have been adopted to a greater extent by civil society organizations and multi-stakeholder institutions practicing various forms of civil regulation and co-regulation (Chahoud, 2006:664), and simultaneously there has been a widely recognition for the need for more constructive business-NGO partnerships. (van Huijstee & Glasbergen, 2010:250).

2.2.1 The institutional characteristics of global strategic CSR

As will be elaborated in the present subsection strategic global CSR refers to the dominating global trend within CSR that originates from Western business environments. Besides being *global*, the *strategic* part in the approach refers to CSR being a business tool, incorporated into core business processes and affected by multiple corporate stakeholders as MSIs is collaboration between government, CSOs and businesses to solve complex sustainability problems. (van Huijstee, 2012:20-21).

Though not intentional, Campbell illustrates the differences between philanthropic and strategic CSR very well. *'... a corporation may do lots of public service and contribute heavily to charities [philanthropic CSR] but systematically pollute the environment, misappropriate money from their employee's pension fund, or pursue discriminatory labor practices'* which he does not classify as CSR. (Campbell, 2006:929).

The developed world, that are dictating the global strategic trend within CSR, has experienced a rise in strategic alliances between civil society organizations, corporations and governments as these alliances

show great potential in effectively addressing the many societal issues of our time, because most of these issues are neither owned nor solved by individual stakeholders anymore. (van Huijstee, 2012:9,14).

Hence, the number of interactions between business and NGOs concerning issues of CSR has also increased exponentially in the last decade. During this period, the character of the relationship has also changed from confrontational to more collaborative or a combination of the two. This change in the interaction between corporations and NGOs has also encouraged a new perspective on CSR, namely the proactive and strategic form of CSR in which mutual dependencies with NGOs can be made productive in both corporate and societal terms.(van Huijstee & Glasbergen, 2010:250).

There is no commonly accepted definition of what constitutes a MSI but the common denominator between these initiatives is that they are *'interactive processes in which business, CSOs and possibly other stakeholders interact to make business more socially ... sustainable'*. (van Huijstee, 2012:14).

Thus main stakeholders within a strategic multi-stakeholder CSR approach are corporations, governments and civil-society organizations (CSOs). Despite some scholars within CSR mention additional stakeholders, these two are consistently referred to as being the most important in strategic CSR and their internal relations as being crucial to the nature of CSR-initiatives. (Chahoud, 2006:664; von Marrewijk, 2003:100).

In a Western context, fulfilling legal responsibilities is a requirement for any corporation seeking to be socially responsible. (Yang and Rivers, 2009:158). According to Campbell, the states regulatory sanctions matter, and not just the presence of regulations but also the capacity of the state to monitor the behavior and enforce these mechanisms when necessary. (Campbell, 2006:932). To comply with these standards, much depends on the institutional design and configuration of regulation and the balance of political forces surrounding it.

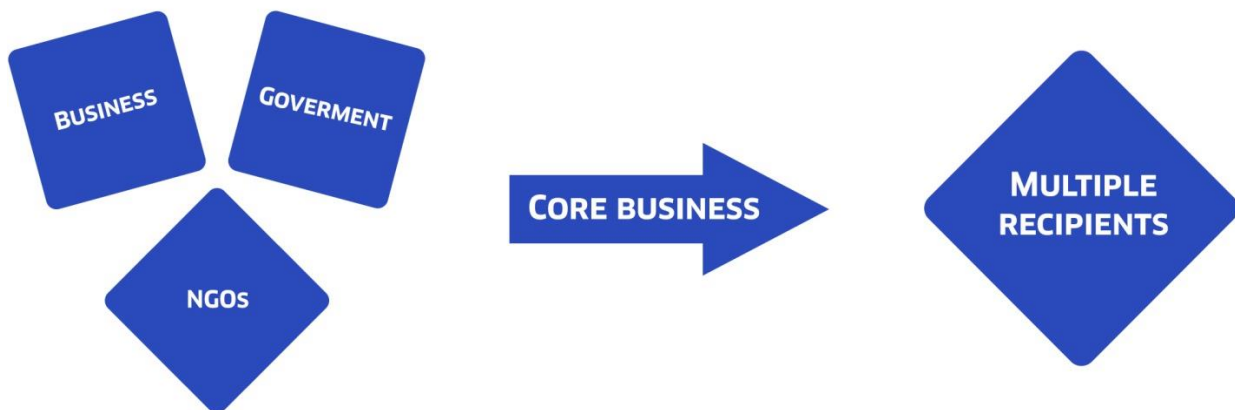
The corporation's responsiveness to the regulations depends on their involvement in the initial formulation process of the given regulation. Hence, if corporations, and other relevant stakeholders such as NGOs, are included in this process early on, they are more likely to subscribe voluntarily. (Campbell, 2006:929). Ideally will the government participation in MSIs endorse, convene, facilitate or finance and not make binding governmental legislation. At least not on the specific MSIs, but rather by standing over the parties, balancing the interest of both business and CSOs in its policies. (van Huijstee, 2012:49).

Organizational institutionalists has shown that as corporations engage in multinational operations, a variety of NGOs have emerged to establish codes of conduct and monitor the behavior of these corporations. Equally, global industrial associations are beginning to undertake the job of self-regulation by ensuring their

members act socially responsibly. (Campbell, 2006:930-931). Some social movement organizations has also emerged around issues of CSR, particularly as economic activity is becoming more globalized, and therefore, more difficult for national governments to regulate. Thereof the capacity of social movements and activist becomes more important in facilitating CSR by monitoring and challenging corporate behavior. (Campbell, 2006:931).

NGOs pressure corporations to behave in more responsible ways, by appealing to firms directly, organizing demonstrations against them or pressuring local governments to force corporations to improve their behavior. Furthermore they mobilize media campaigns to bring attention to certain alarming corporate practices. (Campbell, 2006:931).

Figure of the institutional characteristics of strategic CSR:



Explanation of the figure.

The Indian institutional environment should encourage the presence of NGOs in society as a whole and in defining CSR-initiatives in collaboration with corporations. In strategic CSR, NGOs acts as watchdogs and are in a position where they are capable of pressuring corporations to act responsible. (Campbell, 2006:931).

To conform to the global strategic CSR-trend, the Indian government should be involved with CSR to balance the interest of both business and CSOs. If India should have a customized law on CSR, is should be developed on the basis of Indian experiences with insights from the relevant stakeholders with emphasis on corporations. (Campbell, 2006:929; Platteau, 2000:XVII). Thus NGOs and governments, amongst others, work together in a constructive manner to achieve common goals in the CSR-process. (Chahoud et al, 2007:18).

2.3 Summary and operationalization of theory

As accounted for, the importance of institutions in development research and their co-existence with corporations has historically been a relationship of shifting powers. The same goes for the institutional dynamics when dealing with CSR. The three approaches within institutional theory have two important common denominators that are relevant to the present study. Firstly, all three of the, focus on how institutions constrain and enable behavior and secondly they furthermore stresses the necessity of institutions beyond the market to ensure that corporations are responsible to the interest of actors beyond themselves.

This chapter has accounted for the role and power of institutions in development and in global strategic CSR. Through Platteau an understanding for the need of institutions in development has been gained, while Campbell has outlined some of the relevant and important institutional conditions that ought to be in place, to encourage a strategic attitude towards corporate responsibility. Platteau's thoughts on implementation of the rule of law concur with the strategic approach to CSR as he believes that legislation positively affect growth prospects.

At the same time Platteau stresses, however, that it is enormously difficult to directly transfer institutional conditions from a developed country to an emerging economy. Instead developing and emerging economies must learn to comply with the demands of economic modernization, within their own cultural and social traditions. In the context of CSR, this specifically means that if the Indian government legislates in CSR it should be a law designed on the countries on experiences and not on those of Western economies.

The three approaches within institutional theory have two important common denominators that are relevant to the present study. Firstly, all three of the, focus on how institutions constrain and enable behavior and secondly they furthermore stresses the necessity of institutions beyond the market to ensure that corporations are responsible to the interest of actors beyond themselves.

Through various scholars within CSR, I have identified two parameters that characterize strategic CSR; strong civil-society organizations such as NGOs and legislation on CSR. The two identified mechanisms will be used as parameters to give an insight into how the Indian CSR-approach conforms to global trends.

4. India's economic policy and the evolution Corporate Social Responsibility (CSR)

This chapter will present and process the central elements of India's economic development and economic policy from independence to today. The objective is to chart the history and evolution of CSR in India and understand it in context to the economic policies in the country to determine the characteristics of corporate philanthropy. This chapter will contribute to the understanding of where CSR is in India today, and what impact the past might have on how the Indian CSR-environment conforms to global trends today.

The chapter will be divided chronologically into four paragraphs each representing a period of time, its politics and CSR at that time in India. After an introduction and a brief insight to Mahatma Gandhi's trusteeship theory, the paragraphs will start off by introducing the contemporary politics whereupon CSR in the specific period will be accounted for in a subsection. Obviously, the final section 'India today' will not have a following CSR section, as this is what the present thesis seeks to clarify. Finally, will the important aspects and a characteristic of philanthropic CSR in India will be presented to use for further analysis.

Introductory

Economic policy is the structure of incentives and disincentives in the economy and it is how individuals and organizations respond to these incentives that determine the economic performance (Rajadhyaksha, 2007:4), hence to understand the presence and future of CSR in India, the country's political and economic history is relevant to take into account. (Chahoud, 2006:665).

India has undergone a remarkable transformation since independence. (Ganguly & Mukherji, 2011:1). First in 1947 when Jawaharlal Nehru became India's first prime minister and enforced protectionism, later in the 1980s when his daughter Indira Gandhi began to loosen the Indian economy to the outside world and in 1991 where a comprehensive reform of the economic policies with liberalization was initiated.

From the beginning has charity and philanthropy been the main drivers of CSR in India when culture, religion, family values, tradition and industrialization (from the 1850s and onward) had great influence in society. In the pre-industrialization period wealthy merchants shared a part of their wealth with the wider society by setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their stocks and donating money and thus securing themselves an integral position in the society. (Gowda, 2013:2).

With the arrival of colonial rule in India from 1850s onwards, the approach towards CSR changed and corporations became strongly committed to philanthropically motivated CSR. (Gowda, 2013:2; Chahoud et

al, 2007:12). The industrial families of the 19th century such as Tata and Birla were strongly inclined towards economic as well as social considerations. However, it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by political objectives. (Gowda, 2013:2). The emergence and early years of CSR in India stresses the importance of understanding the mechanisms within the institutional conditions, the environment, and the actors that surrounds businesses and affects their CSR activities today.

The Mahatma Gandhi trusteeship theory

During the independence movement, corporate philanthropy in India went into a new stage led on by Mahatma Gandhi as his thoughts on economy was based on human values. Though Gandhi was never known as an economist (Chavan, 2013:1), he introduced the notion of *trusteeship* (Gowda, 2013:2) that had major impact on both the economy of individuals and corporations, as he advocated trusteeship as a moral basis for individuals and corporations in position of wealth.

The basic idea underlying trusteeship was, and still is, that instead of depriving the rich individual or corporation of their wealth by force, they were given an opportunity to become trustees of their wealth on behalf of the society. In general, Gandhi was against compulsion and regulation (Chavan, 2013:1) and his dislike of force and state enforcement made him suggest trusteeship as a voluntary practice. (Gopinath, 2005:334).

The industry leaders had to manage their wealth to benefit the common man, as Gandhi believed that if:

“... I have come by a fair amount of wealth—either by way of legacy, or by means of trade and Industry—I must know that all that wealth does not belong to me; what belongs to me is the right to an honorable livelihood, no better than enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community”. (Deva, 2012:319).

Private property was not prohibited under the trusteeship theory, but whatever wealth one (private person or corporation) had beyond one's needs (with was to be judged by average people) one kept as a trustee for the people and should therefore spend it for the benefit of the people. (Deva, 2012:319). Gandhi's idea of trusteeship meant that companies should be *'the temples of modern India'* and act towards building the nation and its socio-economic development. This meant that businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. (Gowda, 2013:2).

A significant point, that cannot be left out, is that Gandhi's idea of trusteeship is not absolute equivalent to corporate philanthropy, as a 'trustee has no heir but the public'. (Deva, 2012:319). Some even argue that

trusteeship is not nearly akin to charity or generosity as Gandhi believed that able-bodied people should work for their living (Gopinath, 2005:333).

However, the difference between trusteeship and philanthropy is that while philanthropy is voluntary (however under the direct and/or indirect institutional pressures) the idea of trusteeship was that individuals, corporations and so on were imposed to share their wealth with the joint community. No matter what, the importance of the trusteeship in understanding the emergence of CSR in India today and the present CSR-trend in India today is not to be disregarded.

4.1 Postcolonial India, 1947 – 1970.

In the wake of India's independence, the country's first Prime Minister Jawaharlal Nehru and his colleagues failed in what they perhaps regarded as their central mission – to build a developmental state. This period was described as an "era of command and control", because of the stringent legal rules and regulations surrounding the activities of the private sector. (Gowda, 2013:2).

Nehru defined the philosophical debate in Indian politics till his death in 1964 and the world view he advocated became known as the Nehruvian consensus. The Nehruvian consensus consisted of comprehensive state control over the economy, an idealistic stance in foreign affairs and special consideration to certain communities in domestic policy. (Mantri, 2013:wp; Menon & Nigam, 2007:3).

This entailed that India turned its back on foreign trade and foreign capital was left out alongside with the efficiency and knowledge that come with trade and investment. Entire industries were reserved for the public sector and the small-scale sector and companies could not make things without a license from the government. (Rajadhyaksha, 2007:41; Roy, 2012:224). However flawed, Nehru's vision of a modern and industrial India cannot be faulted - he was merely a product of his time where national planning, protectionism, free markets and suspicion towards private enterprises were rooted in the political class. (Rajadhyaksha, 2007:37).

Roy (2012) looks at the Indian policies after independence as "*the new regime not turning against the world economy, but instead turning India's globalization into a state-managed aid-funded process*" (Roy, 2012:224). And some scholars state that of all the economic mistakes that India made after Independence, perhaps none has had a greater negative impact than the decision to withdraw into a protectionist shell. (Rajadhyaksha, 2007:6).

However not all was bad during this period of time. India simultaneously continued to diversify its industrial base and investments in institutes, especially technical colleges, laid the base for the subsequent and

present success in skill-based manufacturing and software industries. (Rajadhyaksha, 2007:42). The two industries are of great importance to MNCs in India today and for many foreign corporations the reason for their presence in country. (Roy, 2012:240).

4.1.1 CSR from 1947-1970

This period was dominated by India's struggle for independence and CSR was related to the element of a "mixed economy", emergence of the public sector and laws regulating labor and environmental standards. (Chahoud et al, 2007:26; Gowda, 2013:2). During this period the private sector was forced to be in the background because the public sector was seen as the prime mover of development. The policy of industrial restrictions on the private sector led to corporate malpractices which led to an enactment of legislation regarding corporate governance, labor and environmental issues. (Gowda, 2013:2).

The public sector was set up by the state to ensure suitable distribution of resources to the poor but they only proved effective to a certain extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became necessary. In this period, Indian academicians, politicians and businessmen set up a national workshop on CSR with emphasizes on transparency, social accountability and regular stakeholder dialogues. (Gowda, 2013:2).

4.2 India in despair, 1970 – 1991

Although an official reform did not happen until 1991, the reintegration with the world economy slowly began informally in the late 1970s when two trends came together, namely an accumulation of capital and competitiveness in the small-scale labor-intensive industry and an unannounced easing of the value of the Indian currency. (Roy, 2012:238,241).

The mid to late 1970s are also regarded as the years where the foundation for the liberalization in India in 1991 was laid. India's policy makers gradually deregulated private-sector development after 1975 which may not seem groundbreaking, but it has to be looked upon in the context of a political and economic environment that had produced one of the most highly regulated economies in the world. (Ganguly & Mukherji, 2011:60-61).

The turning point for the Indian economy was in 1980 where the country saw a change in Government and Indira Gandhi came back to power. This new Government turned its back on the old socialist legacy and on suspicion of private capital. (Rajadhyaksha, 2007:45). However, by 1990, just before the country embraced liberal economic policies, India still had one of the highest rates of protectionism in the world. Though Indira Gandhi and her son and prime minister successor Rajiv Gandhi had made substantial changes

towards a more liberal economic policy, it had also left India on the verge of a payment crisis and on the road to bankruptcy (Rajadhyaksha, 2007:37, 45-46).

4.2.1 CSR from 1970-1991

Corporate responsibility in this period was mainly characterized by legal regulation of business activities and promotion of public sector undertakings (PSUs); however a debate on the nature of CSR was already initiated at this time. According to the supposedly new agenda, businesses were to play their part as corporate citizens by regulating stakeholder dialogues, by social accountability and openness and transparency were demanded. However despite these progressive initiatives, the CSR approach did not materialize at that time. (Chahoud, 2006:665-667).

From the late 1980s Indian companies slowly started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. (Gowda, 2013:2). Until 1990, the conceptualization of CSR was more of philanthropy or charity, like both Gandhi's trusteeship and Nehru's consensus commanded it. (Mukherjee, 2013:1; Mahapatra & Visalaksh, 2012:2).

Corporations introduced welfare programs or CSR initiatives not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. Many Indian industrial giants like Tata or Birla setup charitable trusts in these years that provided financial grants for various worthy causes. (Mahapatra & Visalaksh, 2012:3).

However some critical voices started to sound, pointing towards several problems in corporation's philanthropic approach towards CSR. Some of the critique was that since CSR was an act of charity, the corporation did not feel the need for community participation in the designing or management of such initiatives. The argument thereof was that the lack of involvement from the corporation led to low levels of accountability and transparency at the implementation level. (Mahapatra & Visalaksh, 2012:3).

4.3 Liberalization in India, 1991 onwards

In July 1991, India elected a new government under the leadership of Prime Minister Narasimha Rao. Rao started off with by appointing one of the country's top economists and administrators, Manmohan Singh as India's new finance minister. (Rajadhyaksha, 2007:46). Singh believed in the virtues of an open economy and he dismantled the worst parts of the old economy in a few strokes and Rao soon initiated reforms of the Indian economy from 1991-1996. (Rajadhyaksha, 2007:46; Gupta & Sivaramakrishnan, 2011:1; Adeney & Wyatt, 2010:32-33).

The new economic policy meant that India changed its foreign policy profile (Adeney & Wyatt, 2010:216), and at the same time, globalization was beginning to transform India into an important destination in terms of production and manufacturing bases of MNCs was concerned. (Gowda, 2013:2).

The first initiations towards globalization and economic liberalization in India had been undertaken and the controls and the licensing system were partly gone away with which gave a boost to the economy. The precise contents of the economic liberalization in process from 1991-1995 were quite similar to the World Banks and IMFs 'structural adjustment program'¹⁴, with changes in the trade and investment policy, and tariffs that were reduced and the removal of several industrial regulations. (Roy, 2012:238).

4.3.1 CSR from 1991 onwards

Increased growth from the 1990s onwards in the economy helped Indian companies grow rapidly which made them more willing and also able to contribute more to social causes. (Gowda, 2013:2). At the same time, the post-liberalization phase gave rise to a fundamental shift from the philanthropy based model of CSR to a more stakeholder participation based model where the communities, in which the corporation is present, were seen as a partner in the company, instead of only recipients of charity and philanthropy. (Mahapatra & Visalaksh, 2012:3).

The corporate governance movement began in 1997 with a voluntary code framed by the Confederation of Indian Industry (CII) and in the following three years, almost 30 large listed companies accounting for over 25 per cent of India's market capitalization voluntarily adopted the CII code. By 1999, the Securities and Exchange Board of India (SEBI) - India's capital market regulator - had got into the act, and set up a committee to mandate international standards of corporate governance for listed companies. (Goswami, 2003:105-106).

The 1991 liberalization of the Indian economy seems to be the turning point in Indian CSR, as up to 64% of the Indian corporations started CSR programs between 1991 and 2005. However, while most of those companies stated that they had a clearly mandated CSR policy, they were reluctant to share information on budget allocation for such initiatives. (Sharma, 2010:30).

¹⁴ Structural Adjustment Programmes (SAPs) are the economic policies for developing countries that has been promoted by the World Bank and IMF since the 1980s by the provision on loans conditional on the adoption of neo-liberal policies that drives globalization. (WHO, no date:wp).

4.4 India today

Today India, the country whose mantra was self-sufficiency in the 1970s, is being wooed by governments and corporations from around the world (Rajadhyaksha, 2007:2), as opening up to foreign trade has helped the country to specialize in cheap, well-educated labor primarily within technology service companies. (Rajadhyaksha, 2007:15,37; Roy, 2012:240). India has developed immensely in the recent years and is consistently topping the list of great outsourcing destinations. (Rajadhyaksha, 2007:70-71).

Despite of economic growth in India, the pace of growth has slowed sharply in 2012/2013 due to several domestic and foreign factors and external factors like drought (EIU, 2013:6), and the Indian Government has since September 2012 introduced a series of policy measures to revive the economy in the country and the Government is as we speak launching a new Companies Act.

However, today the wheel has come full circle and India is back to where it was in the 1950s – there is a confidence about the future. Though many of the old fragments of the economic policies have now been buried, some still remains and the poor still find it difficult to participate in and benefit from the global economy. (Rajadhyaksha, 2007:2).

4.5 The characteristics of philanthropic CSR in India

The above chapter has briefly presented the economic policies in India since independence and subsequently what impact, if any, the policies has had on CSR. As accounted for, a philanthropic mindset has been present in corporate India since before the pre-industrialization period and later, in the years of Gandhi, corporations became trustees who were obliged to share their wealth with society and in particular with the surrounding communities they directly affected. The Indian perspective on CSR has thus traditionally been one of philanthropy towards local communities. (Chahoud, 2006:663; Sharma, 2010:29).

Social responsibility is still regarded as an important business issue of Indian corporations irrespective of size or sector, business goal or location, partly because Indian companies are realizing that without socio-economic development in the local communities, there can be no stability and sustainability for doing business (Gowda, 2013:8), wherefore CSR in India is often utilized by corporations as an instrument to win over the communities. (Sharma, 2011:639).

Thus, there are two main characteristics of Indian CSR. One characteristic is the, in some cases, solely focus on philanthropy and charity regarding CSR-activities, and the other characteristic is that the charity most often is addressed surrounding local communities. According to a survey conducted in 2006, most companies see their community development projects as being important in overcoming development

challenges. However Indian stakeholders also critique this approach as the corporations' argument to 'give back to society' lacks transparency and specific standards and they often conceal their motivation and their interest when they engage in community development. (Chahoud, 2006:667).

Hence, Indian companies still equate CSR with corporate philanthropy rather than considering CSR as a holistic view of the impacts business has on society and the environment through its operations. (Chuliani, 2013:wp). Mahapatra & Visalaksh provide a precise description of CSR in India¹⁵ as they define the concept to be "the continuous commitment by corporations towards the economic and social development of communities in which they operate". (Mahapatra & Visalaksh, 2012:1).

With inspiration from Chahoud's (Chahoud, 2006:667) CSR triangle of Indian CSR and from the present chapter, the main characteristics of philanthropic CSR in India is identified to be:

A philanthropic external approach consisting of **charity from companies** towards the surrounding **local communities** and dominated by **business-self regulation**.



What we know now, is that the global strategic CSR-trend distinguishes itself from the Indian philanthropic approach regarding stakeholder-involvement, legislation and the nature of the CSR-initiative that globally has evolved from charity towards local communities to aiming at several stakeholders within the entire supply chain. It is however important to stress that charity also is *a part* of strategic CSR.

¹⁵ Mahapatra and Visalaksh has conducted a study in 2012 on "Emerging Trends in Corporate Social Responsibility: Perspectives and Experiences from Post-Liberalized India ". (Mahapatra & Visalaksh,2012).

5. Empirical data

As previously presented, the dominating global institutional trend within CSR is to become more than philanthropy and closer related to corporations core business by a strategic approach with multiple stakeholders influencing the CSR-initiatives

CSOs, in the form of NGOs, alongside government involvement are essential institutional stakeholders within strategic CSR. The current chapter will present the empirical data on the presence of NGOs as well as account for the Indian government's initiatives within CSR in India, as this will be object to analysis in the following chapter.

5.1 Non-Governmental Organizations (NGOs) within Corporate Social Responsibility in India

This chapter presents several reports¹⁶ and articles that examine the presence and influence of NGOs in the Indian CSR environment¹⁷. The empirical data presented in the present section will focus on two related aspects of the business-NGO relationship providing the knowledge required for further analysis and discussion. *The role of NGOs within the Indian CSR-environment* will be presented in order to discuss and identify if the business-NGO relationship has moved away from a donor-recipient mindset, and towards a partnership where NGOs are consulted in the CSR-policy making instead of only taking part in implementation of the CSR-initiatives.

To categorize the NGO-involvement as strategic, the organizations should participate in policy making, and not only take part in the implementation stage. Furthermore data will be presented to settle if the NGOs *influence corporations' CSR-approach* by focusing entirely on charity towards local communities, or if the NGOs pressure businesses to consider various stakeholders and their core business, when designing CSR-activities. Analyzing and discussing these aspects alongside the presence of government involvement in the CSR-environment will help to disclose, how Indian CSR conforms to global trends.

NGOs

India's civil society is distinctive as it reflects the country's regional diversity; most organizations are local in orientation and organized around issues of local concern (Adeney & Wyatt, 2010:143). NGOs have been

¹⁶ The origin and methodology of the main source material is accounted for in Chapter two on *Methodological framework*.

¹⁷ The presence of NGOs is identified as being one of the main characteristics of strategic CSR in Chapter three on the *Theoretical framework*.

present in India for decades, and the country has an extremely diverse range of NGOs of which many are active within a well-defined locality, while others are nationally organized and work with very large government – or business funded budgets (Adeney & Wyatt, 2010:149; Sood & Arora, 2006:26).

Activities of Western NGOs inspired Indian activists in the 19th and 20th century, and they imitated them as tools for pursuing their own concerns. However, the British colonial regime distorted the context in which civil society developed in India as many normal political activities were considered illegal, and activities that involved formal organizing were often repressed (Adeney & Wyatt, 2010:142).

In India, non-profit or public charitable organizations can be registered as trusts, societies or as private limited non-profit company under the so-called section 25 companies. The NPOs “a) exist independently of the state; b) are self-governed by a board of trustees [...]; c) produce benefits from others, generally outside the membership of the organization; and d) are ‘non-profit’ making in as much as they are prohibited from distributing a monetary residual to their own members” (NGOs India, no date:wp). A charitable purpose is defined to include ‘relief of the poor, education, medical relief and the advancement of any other object of general public utility’ (NGOs India, no date:wp).

NGOs role in CSR

The NGOs’ role as stakeholders in CSR is often subject to discussion because their role is regarded as controversial and their legitimacy contested. The early form of business-NGO relations was mostly confrontational as the NGOs’ position in society was to be ‘watchdogs’ over the corporations and, if necessary, pressure them to change their policies and strategies. The civil groups and NGOs focused on simple messages and used different tactics of anti-corporate campaigns, such as consumer boycott and demonstrations at annual general meetings, to influence corporate behavior (Bendell, 2004:14). Later, a new form of business-NGO engagement emerged based on a combination of confrontation and collaboration strategies (Arenas et al., 2009:175-176; Baur & Schmitz, 2012:9).

Corporate philanthropy and NGOs’ involvement is often debated in Indian business and civil society communities. In September 2012, the Credibility Alliance¹⁸ organized a national Consultation on *evolving the role of philanthropy in India*. The event was attended by approximately 120 representatives from the voluntary sector who discussed the role of NGOs in government policy framing and CSR. At the national consultation, the ‘NGO-sector demanded that the Government should seek the participation of NGOs at the

¹⁸ An organization accrediting voluntary organizations in India and promoting best practices (Credibility Alliance, no date:wp).

time of policy framing [...] and not just at the time of implementation' (Credibility Alliance, 2013:13). This point of view is further supported by the Confederation of Indian Industry, that stresses the need for NGOs to move beyond just implementing the CSR-projects and start helping the companies in strategizing (Kumar, 2013:wp).

The way business-NGO partnerships in India are developing is influenced both by global patterns and by the specific social and economic conditions in India, today and historically (SOS Children Villages, 2011:4). As pressure builds on corporations to address the numerous and complex societal and environmental impacts of their operations, alliances with NGOs can act as a source of knowledge and information (Rondinelli & London, 2003:62).

Many NGOs provide both social services and press for social change which has resulted in them being heavily criticized from several political fronts. It is often assumed that NGOs who receive foreign funding are suspect and has given up on progressive politics and 'sold out'. Conversely, others have seen, in the growth of NGOs, a new approach to social actions and politics (Adeney & Wyatt, 2010:149). PiC's fourth study on '*Corporate Social Responsibility in India*' and SOS Children Villages study on the '*Emerging trends in business-NGOs relationships in India*' brings knowledge on the role of NGOs in CSR in India today.

The objective of PiC's report of 2007 was to 1) track the changing attitude and practices of companies in India with regard to CR issues on a regular basis (PiC, 2007:8), and to 2) enquire into the extent to which CR is integrated as a core part of business.(PiC, 2007:8)¹⁹.

According to the PiC survey, the share of corporations that has mentioned NGOs as an *influential stakeholder* has declined from 21 percent in 2003 to 16 percent in 2006. This decline simultaneously makes NGOs the only stakeholder, of those presented in the study²⁰, regarded as being less influential, than three years earlier. (PiC, 2007:80). However, though NGOs are regarded as less influential than earlier, they still have some importance to corporations. Data from the survey shows that NGOs are interacting with corporations when Indian corporations commission local NGOs to assess the overall impact of the stakeholders (PiC, 2007:91).

¹⁹ The methodological details on the PiC survey can be found in Chapter 3 on Methodological framework.

²⁰ The other stakeholders ranked were employees, shareholders, suppliers, communities near work place, communities anywhere, government, management consumers/customers and investors (PiC, 2007:80).

When asked about consulting with stakeholders in general, the study shows that 70 percent of the corporations reported consulting with internal stakeholders, while only 14 percent consulted with external stakeholders (PiC, 2007:63). However, when asked about consulting with stakeholders in the development of a CSR-strategy, 43 percent of the Indian corporations reported to consult and consent with the stakeholders. Indian companies thereby emerged as the least participatory, as 56 percent of the MNCs reported to consult with the stakeholders in the process of developing a CSR-strategy, making MNCs the most inclusive in their process. 53 percent of the PSUs included stakeholders in the process of developing a CSR-strategy (PiC, 2007:64).

Finally dialogue and collaborating with external stakeholders found little support, with barely two percent of PSUs endorsing it as a base and the same proportion of Indian companies regarding it favorably (PiC, 2007:62-63).

NGOs influence on the Indian CSR- approach

According to the SOS Children Villages' report, companies with long-term programs in India have learned from experience that partnering with NGOs can bring additional benefits. These companies' CSR efforts are becoming more strategic and aligned to company core business (SOS Children Villages, 2011:1,6). However, a KPMG survey from 2011 of the top 100 companies in India showed that only 16 percent had a CSR-strategy in place with well-defined objectives, as opposed to 73 percent of the Global 250 companies (SOS Children Villages, 2011:2). This is presumed to be due to the Indian businesses not being strategic in their CSR-programs and in their engagement with NGOs for social impact, or simply because they do not communicate it (SOS Children Villages, 2011:2).

The SOS Children Villages' report on 'Changing Trends in Business-NGO Relationships – Evolving Patterns and Emerging opportunities to maximize the benefits of innovative collaboration' defines emerging trends and obstacles in business-NGO partnerships in India today (SOS Children Villages, 2011:1).

EMERGING TRENDS IN BUSINESS NGO-PARTNERSHIPS IN INDIA TODAY:

- 1) A growing business demand for community programs and engagement with NGOs
- 2) Moral Imperatives as strong business case for driving corporate engagement
- 3) Innovative approaches from business, government and NGOs are emerging
- 4) Corporate foundations are leading strategic development
- 5) Growing demand for employee engagement and high incidence of 'true voluntarism'
- 6) Increasing recognition of the contribution of civil society and the important role and drive for NGO transparency and professionalism
- 7) Growth in demand for partnering expertise and intermediaries/brokers

Source: SOS Children Villages, 2011:6-7

The CSR initiatives in India are driven by voluntary guidelines and many corporations has set up CSR-departments and new community development programs in the last few years (1st trend). The report does not determine whether it is initiated by internal or external drivers, but simple concludes that the trend persists and is causing slow but increased growth in business-NGO partnerships (SOS Children Villages, 2011:8).

Accordingly, the drive to give back to society remains the most common reason to do CSR activities, rather than value to core business processes (2nd trend). Likewise, a number of CSR-programs are still based on philanthropy, and they often have no strategic alignment with either the nature of the business or its assets. However, companies who have long-term programs with NGO-involvement, have a CSR-approach that is becoming more strategic and aligned to company core business (SOS Children Villages, 2011:9).

Despite many examples of corporations separating their CSR from their core business, some corporations are leading the strategic development within CSR in India (4th trend). Large conglomerates such as the Tata

Group and Bharti Enterprises²¹ has set up corporate foundations that are driving the shift from philanthropic donation to strategic development (SOS Children Villages, 2011:6-7).

In October, 2011, the civil society's contribution to India and the shift from business and government was recognized publically through The Times of India 'Social Impact Award' (6th trend) (SOS Children Villages, 2011:7). This has been important to the CSOs, as businesses traditionally have had concerns about the NGOs' reliability due to a history of poor management and corruption. Likewise, a rise has occurred in organizations that are able to facilitate or advise a matching process between corporations and NGOs (7th trend).

OBSTACLES TO GREATER BUSINESS NGO-COLLABORATION

- 1) Scale of domestic problems can be daunting
- 2) Finding 'good' NGO partners
- 3) The NGO management competency paradox
- 4) Highly competitive short-term business climate
- 5) General public acceptance of status quo

Source: SOS Children Villages, 2011:8-9

The SOS Children Villages' report has also identified five obstacles that appear to prevent greater collaboration between business and NGOs in CSR in India today. A variety of issues arise from the scale of problems that are addressed and solved through CSR due to India's size (1st obstacle) and complexity of acceptance by the general public of CSR being a sustainable and profitable way of doing business (5th obstacle) (SOS Children Villages, 2011:8).

²¹ The Tata Group was founded in 1868, and today it comprises more than 100 operating companies in seven business sectors in India and abroad (Tata, no date:wp). Likewise, Bharti Enterprises is an Indian conglomerate, founded in 1976, with operations in more than 21 countries today (Bharti, no date: wp).

Once again the distrust of corporations towards NGOs and the perception that they are corrupt and inefficient are found to be an obstacle in gaining greater business-NGO partnerships in India (2nd obstacle). Companies also demand better skilled staff at NGOs (3rd obstacle), yet they are unwilling to pay the higher administration costs this will entail (SOS Children Villages, 2011:8-9).

The final of the identified obstacles is the highly competitive short-term business climate, where managers believe they do not have time to address issues that provide medium or long-term impact as opposed to direct short-term achievements (4th obstacle) (SOS Children Villages, 2011:9).

According to SOS Children Villages' survey the Government of India is maintaining responsibility for a large range of areas such as water and sanitation, to a greater degree than its counterparts in Europe. Concurrently the government has proved 'unable to provide access' to these utilities to a fairly large part of the Indian population (SOS Children Villages, 2011:3). Thus, there is still a pressing need for corporations to work with the government and to cooperate with NGOs to help strengthen government systems in social development. However, many corporations are reluctant to embark on this partnership as they see the government as more of an obstacle than a partner, due to the high level of government corruption (SOS Children Villages, 2011:3).

5.2 Government involvement

The participation of governments through regulation and legislation is central to strategic CSR²². CSR in India has traditionally been characterized by corporate self-regulation, but 2013 has been a year of change regarding business regulation. This section will initially present the relevant details of two Indian corporate initiatives; the *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business* and the new *Companies Act, 2013* that received the president's assent on August 29th, 2013, and hereby enacted as law. Both initiatives are aimed at promoting responsible business and CSR in India (Deva, 2012:299). The review of the government initiatives will, in accordance with the theoretical framework²³, focus on the drafting process as well as the nature of the specific guidelines and provisions.

5.2.1 National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business

The *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business* (henceforth referred to as the Guidelines) are a refinement over the *Corporate Social Responsibility*

²² The characteristics of strategic CSR are presented in chapter 3 on the theoretical framework.

²³ The theoretical framework is presented in chapter 3.

Voluntary Guidelines 2009 which was published by the Ministry of Corporate Affairs in 2009 to ensure future inclusive growth (Ministry of Corporate Affairs, 2011:5). The Guidelines represent the perspective of vital stakeholders in India, and accordingly lay down the basic requirements for businesses to operate responsibly (Ministry of Corporate Affairs, 2011:5). The Guidelines make use of the term 'Responsible Business' instead of CSR as the term 'Responsible Business' encompasses the limited scope and understanding of the term CSR. As accounted for in the Chapter 2 on Methods, the present thesis does not distinguish between CSR and CR, as neither of the concepts is defined in the empirical sources. Just as the concept of 'responsible business' is not defined by the Ministry of Corporate Affairs in the Guidelines (Ministry of Corporate Affairs, 2011:4; Deva, 2012:312).

The Guidelines have been developed through an extensive consultative process by GDC, comprising professionals representing different stakeholder groups, as great attention has been made to involve stakeholders from Indian businesses and civil society (Ministry of Corporate Affairs, 2011:6, 49). According to the Ministry of Corporate Affairs, the process of renewing the Guidelines relied heavily upon developing a consensus between various stakeholder groups. 200 stakeholders covering enterprises, industry associations and chambers, government agencies, national and international NGOs have been a part of the evaluation process and thus provided detailed comments in order to compose renewed guidelines on responsible business behavior (Ministry of Corporate Affairs, 2011:49-50).

According to the Ministry of Corporate Affairs, leading trade and industry chambers have also been key partners in the development of the Guidelines as they too are regarded as important stakeholders in developing CSR-guidelines (Ministry of Corporate Affairs, 2011:5). Besides consulting with the corporate sector in India, the Guidelines have been prepared with inspiration from various national and international institutions and guidelines such as OECD guidelines, and the UNGC who has provided an insight into the global trends (Ministry of Corporate Affairs, 2011:42). Even though the Guidelines are based on trends from Indian **and** global business societies, the GDC was appointed with a clear brief to make sure that the Guidelines needed to provide a '*distinctively Indian approach*' (Ministry of Corporate Affairs, 2011:5). This approach should enable all Indian businesses, including MNCs that operate in India, to navigate in the '*unique conditions of India*' (Ministry of Corporate Affairs, 2011:5).

In the introduction to the Guidelines several elements relevant for the current study of *how Indian CSR conforms to global trends* are stressed. Firstly, in the introduction it is emphasized, that it is important for business leaders and managers to understand that business boundaries and responsible business today extend well beyond the traditional walls, and all the way across the value chain. Secondly, the business leaders are further encouraged to ensure responsible business in areas outside their direct control or

sphere of influence, and likewise to urge collaborators and stakeholders along their value chains to follow the Guidelines (Ministry of Corporate Affairs, 2011:5).

The Guidelines²⁴ consist of nine principles that are of equal importance and non-divisible which implies that if a corporation endeavors to function responsibly, it will have to adopt all of the nine principles (Ministry of Corporate Affairs, 2011:5).

Alongside the nine principles, the importance of stakeholder engagement is continuously emphasized as an instruction on 'implementing the guidelines' following the principles of corporate responsibility. The instruction stresses that all businesses shall engage with their stakeholders on a consistent, continuous basis to ensure the successful implementation, which requires that all principles are integrated and embedded in the core business processes of an enterprise (Ministry of Corporate Affairs, 2011:6,27).

5.2.2 The Companies Act, 2013

The most recent news within CSR in India today is the new Companies Act, 2013. The Bill was passed in the Lower House, Lok Sabha, in December, 2012, and August 12th, 2013, India's Upper House, Rajya Sabha, finally passed it as well (The Hindu, 2013:wp). The new Act makes several changes that are expected to bring greater transparency into Indian corporations; changing the way companies in India are defined, operated and regulated (Singh, 2013:wp). Furthermore, and very interestingly in the light of the present study, the new Act is making it mandatory for profit-making companies to spend a required minimum amount of money amount on activities related to CSR (Firstpost, 2013:wp).

There has been general agreement in India that it was about time for a new Companies Act to replace the one of 1956. The country has experienced exponential economic growth and a changing business environment (KPMG, 2013:foreword), which have influenced the corporate sector in India²⁵. However, according to the World Bank, India is still one of the world's most difficult countries to do business in and the country comes in at 135th of 189 countries on their annual *Doing Business* survey (World Bank, 2013:wp). One of the reasons for this is that though the Indian legislation has been amended 25 times since independence, the Companies Act, which is legislation relating to company law, has not been revised since 1956 (Singh, 2013:wp; Firstpost, 2013:wp; Mukherjee, 2013:1).

²⁴ See appendix III for a full overview of the nine principles

²⁵ For instance, the number of companies has increased from approximately 30,000 in 1956 to 1,100,000 in 2013 (Tax India, no date,wp).

Clause 135 – CSR

The Companies Act, 2013 is a renewal of the Companies Act of 1956 and must '[...] *consolidate and amend the law relating to companies*' (Ministry of Law and Justice (1), 2013:1). It includes 29 chapters and 470 clauses with seven schedules that '*extend to the all of India*' (Ministry of Law and Justice (1), 2013:1). Some parts of the Act have already been carried into effect, but the one regarding CSR, Clause 135, will come into force in the financial year 2014/2015 (KPMG, 2013:foreword).

Clause 135²⁶ consists of five articles all relating to legislating on responsible business behavior. However, the concept of CSR or responsible business is not defined by the Indian Government in the Act, just as the concept was not defined in the before mentioned Guidelines. After the 470 clauses, schedule VII²⁷ supplements clause 135 and present requirements relating to the CSR-activities the corporations are legally bind to undertake (Ministry of Law and Justice, 2013:294). With the Companies Act, 2013 follows a set of rules²⁸ that provide further guidelines on how a corporation is supposed to undertake the CSR-activities. These will be presented continuously with the provisions.

Though a clear definition of CSR in not provided in the Act, the appertaining Rules to Clause 135 describe CSR as:

"[...] the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations" (Ministry of Law and Justice (2), 2013:1).

The schedule and rules will be regarded as encompassing the Indian Government's understanding of the concept CSR alongside the above description. This description will be analyzed in the following chapter to understand how the Indian CSR-approach conforms to the global strategic trend. The schedule of what constitutes eligible CSR is relatively broadly defined, and the requirement for corporations to comply with these activities will be further discussed in relation to the relevant provision in Clause 135.

²⁶ See appendix IV for a full overview on Clause 135 of the Companies Act, 2013

²⁷ See appendix V for a full overview of the articles in Schedule VII

²⁸ See appendix VI for a full overview of the Rules

The provisions and concomitant rules

A lot of attention has been paid to the provision with the so-called “two percent requirement in article 5”, which will make India the first country to mandate spending on CSR. In practice this means that approximately 8,000 companies will spend a combined total of up to 15,000 crore (DKK 10,830,852,000.00²⁹) annually on CSR activities (Chuliani, 2013:wp). Even though this provision has received the most attention in the media, several of the other five provisions are also relevant to the current study. Hence, the following subsection will outline the most important and relevant aspects of the provisions regarding CSR in Clause 135 of the *Companies Act, 2013*³⁰. The content of the provisions will be discussed in the analysis alongside the principles that follows Clause 135 and the content of the Guidelines.

The first requirement outlines the economic conditions that define the corporations who in the future will be obliged to spend 2 percent of its annual income on CSR. Hence, the requirement applies to any registered company that is incorporated in India, whether domestic or subsidiary to a foreign company, and which meets one or more of these conditions (1):

(1)

A net worth of rupees five hundred crore [Kr. 437,642.000,001] or more;

A turnover of rupees one thousand crore [kr. 875,284.000,001] or more, or;

A net profit of rupees five crore [kr. 4,376.420,001] or more during any financial year.

Source: Ministry of Law and Justice (1), 2013:80

Furthermore, the corporations that are within the economic criteria shall constitute a CSR committee, consisting of at least three directors of which at least one has to be an independent director (Ministry of Law and Justice, 2013:80), who will be accountable of the CSR-spending. Although this first provision, and the economic definition of mandatory CSR which follows it, will not be direct object to analysis, the possible

²⁹ According to the exchange rate December 27th, 2013

³⁰ A copy of the complete Clause 135 can be found in the Appendix on page x.

effect and consequence of making CSR mandatory will. Critic voices within the business environment and in society have already shown concern about the mandate (PiC, 2013:1; Kordant, 2013:3).

The CSR-committee is furthermore obliged to (3):

(3)

'Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company'.

Source: Ministry of Law and Justice (1), 2013:80

The third provision entails that it is inadequate for corporations to report on their CSR-activities *after* implementing them. Instead the CSR-committee is required to address which activities the corporation is planning to undertake in the future in accordance with schedule VII, presented above (Ministry of Law and Justice (1), 2013:80). The CSR-policy is, however, not ready to be applied in the corporation before the Company Board has approved it and moreover '*disclosed [the] contents of such policy in its report and place[d] it on the company's website*' (Ministry of Law and Justice (1), 2013:80). This is a deliberate effort of the Indian Government to force more transparency into the Indian corporate environment more transparent, hoping to make it more globally acceptable (KPMG, 2013:foreword).

Besides formulating a CSR-policy to the Company Board, the Committee also has to '*monitor the Corporate Social Responsibility of the company from time to time*' (Ministry of Law and Justice (1), 2013:80). The exact definition of what 'monitoring' entails is not further elaborated in the Act, but according to the *Rules*, it should be a '*transparent monitoring mechanism for ensuring implementation*' (Ministry of Law and Justice (2), 2013:3). The committee is not the only authority that is obliged to keep an eye on corporate behavior and ensure that corporations comply with their CSR-policy. The Board likewise has to '*ensure that the activities as are included in the Corporate Social Responsibility Policy of the company are undertaken by the company*' (Ministry of Law and Justice (1), 2013:80).

The fifth and final provision in clause 135 is much debated. It provides that the Board shall (5):

(5)

'[...] 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 activities.'

Source: Ministry of Law and Justice (1), 2013:80

In addition to this provision '*... the company shall give preference to the local area and areas around it where it operates*' (Ministry of Law and Justice (1), 2013:80). This means that not only is it mandatory for corporations to spend on CSR, they also have to give preference to local communities when making the CSR-policy. Thus, the present study will focus on what this mandate implies regarding the Indian Government's approach to CSR, not the exact amount of mandatory spending.

6. Analysis

As accounted for in Chapter 2 on the Methodological framework, the analysis is divided into two equally important parts. Both parts will be analyzed in relation to the theoretical framework and with an understanding of the tradition within corporate philanthropy in India, to be able to illustrate how the Indian CSR-approach conforms to the global trend. Each of the two analytical parts will furthermore be divided into an appropriate number of sub-sections to provide a systematic structure that will constitute valid sub-conclusions.

Similar to Campbell, the present study does not comply with one of the three main directions within institutional theory³¹. As accounted for in the Chapter three on the theoretical framework, the common denominators of the three directions are that they all focus on how institutions constrain and enable behavior. Hence institutional theory will, among other things, be applied to understand how NGOs within Indian CSR and the Indian government constrain and enable a strategic Indian CSR-approach.

Furthermore, institutional theory, and in particular organizational institutional theory, is ideal when dealing with an environment characterized by traditional norms and standards like India. The theory regards institutions as formal rules (the Indian government's initiatives), and taken for granted institutional frameworks (the presence of NGOs) that are constantly constrained by cultural frames (the Indian tradition of corporate philanthropy).

6.1 The role of NGOs and Government in the Indian CSR-environment

As is evident from Chapter five on empirical data, there is no doubt that both NGOs and the Indian government are present within the Indian CSR-environment. However, to be able to properly answer the problem formulation it is of paramount importance to analyze and define their role, and thus the importance of their presence, to determine if it qualifies as conforming to global trends. Though the present study seeks to clarify how the Indian CSR-environment conforms to global trends, it is relevant to start with disclosing if Indian CSR conforms to global trends at all. Hence, this first part of the analysis will analyze if the role of NGOs and the Indian government within CSR can be characterized as being strategic.

The Indian governments stated position on CSR.

³¹ See Chapter 3 on the Theoretical framework.

As institutional change shapes the way society changes, it is obvious to employ institutional theory to understand the Indian CSR-environment and thus a possible change in the way the institutional CSR environment (NGOs and government) has changed their behavior. E.g. to understand how the Indian CSR-approach conforms to global trends it is pivotal to understand the possible changes in the institutions that characterize and affect the CSR-approach, wherefore the Indian government's position on CSR will be analyzed.

The Indian government has in recent years aimed at promoting CSR in the country through voluntary guidelines and by law in Clause 135 in the new Companies Act. (Deva, 2012:299). Despite the attempt to promote corporate responsibility has the concept of CSR never been explicitly clearly defined by the Government. However, though not being presented as a definition of the concept, the proposed draft Rules under Clause 135, provides a description of CSR to be:

'[...] the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrate its commitment in regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations'. (Ministry of Law and Justice (2), 2013:1).

This description clearly emphasizes that the Indian government is fully aware of the inclination towards philanthropy in the CSR-environment in the Indian corporate sector. This is particularly evident if the description of CSR is compared with how a Western country, like Denmark, describes CSR. The Danish government adhere to the European Commission's definition on CSR to be *'the responsibility of enterprises for their impacts on society'* (Rådet for Samfundsansvar, no date:wp; European Commission, 2011:6), and further elaborates CSR to be that:

'Enterprises demonstrate social responsibility and create value both for the enterprises and society by engaging with their stakeholders and address social, environmental and economic challenges in alignment with international acknowledged principles'. (Rådet for Samfundsansvar, no date: wp).

As neither the European Commission's definition of CSR nor the Danish elaboration of the concept contains delimitation from charity or donations, it becomes obvious that philanthropy is deeply embedded in the Indian CSR-environment and the Indian government seeks to evolve the understanding of the concept.

Similar to the Act, the voluntary Guidelines from 2011 do not encompass a declared definition of CSR that provides a clear position on CSR from the Indian government. The Guidelines use the term 'Corporate Responsibility (CR)' instead of CSR as it *'encompasses the limited scope and understanding of the term CSR'*

(Ministry of Corporate Affairs, 2011:4), but they do not define 'responsible business' though other various key terms is defined in the appendix. (Deva, 2012:311-312; Ministry of Corporate Affairs, 2011:45-47).

Though this concept is neither clearly defined nor provided with a description of the concept, the Government does however urge corporations to adapt an approach '*whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner*'. (Ministry of Corporate Affairs, 2011:6). Once again this indicates that the Indian government's understanding of corporate responsibility has evolved from the ideas of trusteeship and philanthropy and is attempting to adapt with global trends by encouraging corporations to focus on financial performance along with society, the environment and the company stakeholders.

The process of preparing the Guidelines and Clause 135

Though the Indian government does not provide a definition on CSR, and thus a proclaimed position on the concept, will an analysis of the process of preparing regulation and legislation might provide an insight to how the Indian government conforms to global trends. The theory implies that corporations should be consulted when voluntary guidelines or acts on CSR are drafted. Corporation's responsiveness to the regulations depends on their involvement in the initial formulation process of the given regulation. Hence, if firms are included in this process early on, they are more likely to be well-disposed towards the Guidelines and the Act. (Campbell, 2006:929).

There is no available information on how the new Companies Act has been prepared. However, after the Companies Bill was passed in Rajya Sabha (the Upper House) in August 2013 (Firstpost, 2013:wp), a copy of the Act and the appertaining rules was soon after published in the Gazette of India³², and at the homepage of the Ministry of Foreign Affairs, for relevant stakeholders and the general public to provide inputs until December 19th 2013.

The refinement of the voluntary guidelines does, on the contrary, provide information on the involvement of diverse stakeholder groups in assessing the Guidelines and put great emphasis on the importance of this process. The stakeholders have thus, according to the Ministry of Corporate Affairs, been contributing with significant inputs and the appropriate recommended changes had been made based on these inputs. (Ministry of Corporate Affairs, 2011:4).

³² ³² The Gazette of India is a public journal and an authorized legal document of the Indian Government.

In the preface of the Guidelines, it is emphasized that '*learnings from various international and national*' (Ministry of Corporate Affairs, 2011:3) norms and frameworks has been taken into account alongside stakeholder consultations. (Ministry of Corporate Affairs, 2011:5). The Ministry of Corporate Affairs furthermore states that the consultations with stakeholders ensure an inclusive process of economic growth. (Ministry of Corporate Affairs, 2011:5).

The stakeholders that are referred to feature 200 stakeholders from large and small corporations, leading trade and industry chambers, government agencies and national and international NGOs from the field of sustainability. (Ministry of Corporate Affairs, 2011:5,50). The triangular relationship that is prescribed in the theoretical framework to characterize strategic CSR is thus, on paper, present as government, NGOs and corporations cooperate to define the guidelines on CSR³³. However, a national CSR-consultation among 120 representatives from the voluntary sector in 2012 provided a different picture of the Government- NGO relationship as the demanded that '*the Government should seek the participation of NGOs at the time of policy framing [...] as not just at the time of implementation*'. (Credibility Alliance, 2013:13).

India is on the rise and institutional behavior has a great impact on the growth rates and should thus act as a strong organizational apparatus. (Platteau, 2000:XVI). Doing so, in developmental terms, mean that the Indian government should be aware to find their own way out of poverty instead of imitating models and methods of developed countries and thus follow recommendations and regulations from theorist in the developed world.

In this regard it seems that the Indian government is fully aware of both the need to, to some extent, comply with global trends within the CSR-environment and concurrently maintaining a country-specific approach to CSR. The committee appointed to evaluate and renew the Guidelines, have thus been ordered that the Guidelines '*must provide a distinctively Indian approach*' (Ministry of Corporate Affairs, 2011:5). However, in the following paragraph in the Guidelines, it is furthermore stressed that business leaders in India should understand that business boundaries extend well beyond the traditional walls and all the way across the value chain. (Ministry of Corporate Affairs, 2011:5).

If the above was exclusively decisive in the assessment of the Indian government's stance on CSR in relation the theoretical prescriptions, it could be concluded that the Government 1) is aware of the importance of involving relevant stakeholders in the process of preparing voluntary guidelines on CSR, and 2) do understand the need to developed a country specific approach. However, to be able to fully determine if

³³ See Chapter 3 on theoretical framework

and how the Indian government conforms to global trends, an assessment and analysis of the principles in of the Guidelines, the provisions in the Companies Act, 2013 and the appertaining rules will occur in the second part of the analysis.

More than legislation

According to the theoretical framework, the presence of government within CSR matter, and not just the presence of regulations but also the capacity of the state to monitor the behavior and enforce these mechanisms when necessary. (Campbell, 2006:929). Hence to determine if the Indian Government conforms to global strategic trends, it is relevant to disclose if the Companies Act, 2013 do more than mandate on CSR and thereby also have well-enforced monitor mechanisms in place.

In the third provision of Clause 135, it is required that the CSR-committee of the company must 'monitor the Corporate Social Responsibility Policy of the company from time to time'. (Ministry of Law and Justice (1), 2013:80). It is, however, not specified what this monitoring mechanism entails nor how often this activity must be undertaken. The 'monitoring-mechanism' is slightly further elaborated in the Rules, as it is stated that committee have to prepare 'a transparent monitoring mechanism' (Ministry of Law and Justice (2), 2013:3), which must ensure the implementation of the corporations CSR-initiatives. (Ministry of Law and Justice (2), 2013:3).

This means that the Indian government has ensured that there is a monitoring function in place, by having 'outsourced' this to the internal CSR-committees in the corporations, which is in accordance with the theoretical framework, as it might as well be 'other actors' (Campbell, 2006:929) that monitor corporate behavior and enforce the CSR-legislation when necessary. (Campbell, 2006:929).

Government as stakeholders

After establishing in the above, that the Indian government perceives corporations to be important stakeholders in preparing voluntary guidelines or legislation on CSR, it is relevant to turn the attention to corporations and disclose if they regard the Indian government to be an important stakeholder within CSR. Campbell emphasizes the importance of consulting with businesses when preparing legislation, but to determine if the Indian CSR-approach can be determined as strategic and how they conform to this global trend, it is necessary to analyze the importance of the Indian government to the corporations CSR-initiatives.

According to SOS Children Villages survey, more than its counterparts in Europe, the Government of India is maintaining responsibility for a large range of areas such as water and sanitation. (SOS Children Villages,

2011:3). However, at the same time has the government proved '*unable to provide access*' to these utilities to a fairly large number of the Indian population. (SOS Children Villages, 2011:3). Thus, there is a pressing need for corporations to work with the government and to cooperate with NGOs. Many companies though are reluctant to embark on this partnership as many corporations see the government as more of an obstacle than a partner due to the high level of government corruption. (SOS Children Villages, 2011:3).

The PiC survey, that was conducted among 552 Indian private corporations, PSUs and subsidiaries of foreign MNCs, studied various aspects of CSR within corporations with emphasis on stakeholder involvement and the importance of external stakeholders such as the Indian government. Only 45 percent of the consulted corporations reported to consult with external stakeholders in the process of developing a CSR-strategy (PiC, 2007:62) of which only 11 percent of the Indian private corporations consulted with external stakeholders as opposed to 27 percent of the PSUs. (PiC,2007:63).

There has, however, at the same time been a change in the perception of the Indian government, since the study conducted three years earlier, as further 10 percent of the corporations believe that the Indian government is an important and influential stakeholder in the shaping of CSR-policies. (PiC, 2007:80). Though it is still less than half (43 percent) of the corporations that regard the Government as an important stakeholder, there is a general agreement that the Indian government is the most prominent of the external stakeholders to drive the adaption of CSR in the future (PiC, 2007:80) and furthermore as one of the most significant partners regarding community development. (PiC, 2007:100).

Bearing in mind that the PiC-study was conducted seven years ago, alongside the knowledge of the involvement of corporations in the drafting process of the Guidelines and the forthcoming mandate on CSR, it is fair to speculate that corporations, if not now, then in the future, will regard the Indian government as an important external stakeholder. Especially as Campbell emphasizes that corporations will be more like to comply with regulation when consulted (Campbell, 2006:929), and thus, if they comply that the corporations regard the Indian government as a vital stakeholder.

NGOs as stakeholders

It has already been addressed that the Indian government is aware of the importance of NGO-consultation within CSR. However, to comply with the theoretical framework, NGOs should also play a role within the CSR-environment from a business perspective. It is therefore equally relevant to study if corporations regard NGOs as relevant stakeholders and thus engage them in more than the implementing of their philanthropic CSR-initiatives.

The exact number of NGOs operating in India today is unknown and many are not registered (SOS Children Villages, 2011:4). However, a study commissioned by the Indian government in 2009 estimated the number of active NGOs and not-for-profit organizations to be 3.3 million³⁴, which means that there is one NGO for less than 400 Indians (Shuckla, 2010:wp). More than 80 percent of the registered NGOs are located in 10³⁵ of the 28 states; these ten states are also hosting 18 out of the 21 Indian cities rated to be India's best cities for business (GIREM, 2013:7).

This means that the foundation for a strong civil-society to influence corporate behavior ought to be in place, at least considering the numerous amounts of NGOs and their strategic location in business centers close to corporations. However, it seems that NGOs are not considered to be important stakeholders among the 552 consulted corporations as only 16 percent mentioned NGOs as an influential stakeholder in general which furthermore was a five percent decline from three years earlier. (PiC, 2007:80).

The picture is however not identical if the importance of NGOs to corporations are considered in specific relation to community development, which the fourth chapter in the present study has outlined the importance of in India. In relation to community development were NGOs regarded as both significant and beneficial to corporations and the collaborations between NGOs and corporations increased eight percent from 2003-2006. (PiC, 2007:101).

The importance of NGOs for businesses in community development is further supported by the fact that an increase in corporate community programs, give rise to a slow but increased growth in business-NGO partnerships. (SOS Children Villages, 2011:8). However, the fourth provision in the new Companies Act states the board must '*ensure that the activities as are included in Corporate Social Responsibility Policy of the company is undertaken by the company*'. (Ministry of law and Justice, 2013:80). Though it is not explicitly expressed, it is fair to assume that this refers to the donor-recipient like relationship that has traditionally existed between corporations and NGOs in India.

For the business-NGO relationship to qualify as complying with the global strategic trend, NGOs should be regarded as an important player within CSR, as they should have the legitimacy to pressure corporations to act socially responsible and today corporations and NGOs still engage most often when NGOs can provide expertise in devising CSR-programs which address social problems. (Arora & Garg, 2013:3). Though there

³⁴ As the number is from 2009 it has most like increased since.

³⁵ Maharashtra, Andhra Pradesh, Uttar Pradesh, Kerala, Karnataka, Gujarat, West Bengal, Tamil Nadu, Orissa and Rajasthan. (Rediff Business,2013:wp).

are no indications that NGOs are being in a position to pressure corporations within the Indian institutional CSR-environment, does findings from SOS Children Villages study on business-NGO relations show that corporations with a long-term partnership with NGOs is becoming more strategic and core business oriented in their CSR-activities. (SOS Children Villages, 2011:9).

The tendencies that has been analyzed in the above gives an indication of Indian CSR-stakeholders that are aware of the global expectations to an enabling CSR-environment and thus to some extent tries to change the CSR-approach. And the emerging trends defined by SOS Children villages are very much in line with global trends as an increasingly business-NGO relationship in focus. However, neither of the identified emerging trends within business-NGO relations suggests that NGOs should serve as society's watchdog as the theory prescribes it, and it seems that corporations are mainly unwilling to trust external stakeholders and thus fully conform to the global strategic trend within CSR.

Mistrust of NGOs

If NGOs are well represented in India and, within CSR as the corporations do make use of the organizations in implementing philanthropic initiatives in local communities, why are NGOs not considered to be important stakeholders and participating at the policy level of CSR?

Studies show that a general lack of confidence and mistrust of NGOs in the Indian society in combination with an overly confident business sector might be the cause. (SOS Children Villages, 2011:7; PiC, 2007:80).

Among the 552 corporations in India, that also showed lack of recognition of NGOs as influential stakeholders in CSR, was *employees* ranked as to be the most important and influential stakeholder in regards of influencing CSR-policies in both 2003 and 2006. (PiC, 2007:80). As the same time did the majority of the respondents perceive *management* as the most important stakeholder group (PiC, 2007:79), which reflects the Indian corporate norm of being top-down driven. (PiC, 2007:79).

In addition, the SOS Children Villages' report from 2011 identifies mistrust of NGOs to be an obstacle to greater business-NGO corporation and (SOS Children Villages, 2011:8) the study shows that there is a general perception of NGOs as being corrupt and inefficient due to poor management in the organizations. (SOS Children Villages, 2011:8). The mistrust to NGOs is further emphasized when analyzing the appertaining Rules to clause 135, as they prescribe that if corporations are to engage with NGOs to facilitate implementation of its CSR-activities, the corporation should '*establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only*' (Ministry of Law and Justice (2), 2013:3)

and furthermore ensure that '*such organizations have an established track record of at least three years in carrying activities in related areas*'. (Ministry of Law and Justice (2), 2013:3).

The management in Indian businesses is, however, not willing to pay higher administration costs to a better and more skilled staff in the NGOs (SOS Children Villages, 2011:9) and thus improve the trust towards the organizations which once again emphasizes the Indian corporations self-reliance within the Indian CSR-approach.

6.1.1 Sub-conclusion

It would be simple to determine if the Indian government's CSR-approach complies with global strategic trends, if the Indian government's position on CSR was officially defined. Fortunately this is not the case, as it would be just as uninteresting to study as it would be simple to disclose.

What **can** be concluded from the above analysis is that the Indian government is aware of the changing global requirements within CSR. This means that the Government takes responsibility as a stakeholder and in the expansion of CSR to be more than corporate philanthropy towards local communities. The Indian government's approach to CSR furthermore conforms to the global strategic trend by involving relevant stakeholders, such as corporations and NGOs, in the process of developing Guidelines on CSR and by requiring monitory mechanisms of the CSR-initiatives that are to be undertaken by the corporations.

Not quite the same approach towards stakeholder-involvement shows when the interaction between corporations, NGOs and government is regarded from the business sector's point of views. Corporation's does not consider NGOs or the Indian government as influential external stakeholders, though both of them are gaining increased recognition as stakeholders in respectively community development initiatives and as the future driver of CSR.

This leads to the overall conclusion that the Indian government is present within the Indian CSR-environment as theory prescribes it, while mistrust towards NGOs keeps them from gaining influence on CSR-policies. However, to fully comprehend how the Indian CSR-approach conform to global trends, an analysis of the nature of Companies Act and how NGOs and the Government *influence* the Indian CSR-approach is needed.

6.2 The influence of NGOs and Government on the Indian CSR-approach

After establishing the role of NGOs and the Indian government in accordance with the presented theoretical framework, this second analysis seeks to clarify how NGOs and the Indian government influence the Indian CSR-approach to be either philanthropic or strategic. Hence, it will be analyzed if the nature of

the Government initiatives reflects a philanthropic or strategic approach towards CSR and thus influence corporations CSR-approach, and if NGOs encourage corporations to look beyond philanthropy addressed local communities. The most debated 2 percent provision will be analyzed individually but the remaining relevant provisions in the new Act and the appertaining Schedule VII and Rules, will be discussed in relation to the traditional understanding of CSR in India³⁶.

The nature of the voluntary guidelines and Clause 135

A more thorough analysis of the principles and provisions of the Indian government's initiatives will contribute to a comprehensive picture of how the Indian CSR-approach conforms to the global strategic trend. Thus, this subsection seeks to clarify if the government initiatives encourage corporations to undertake a traditionally Indian philanthropic approach towards CSR or if the legislation implies that the Indian corporations should undertake a global strategic approach towards CSR by analyzing the exact wording of the initiatives. Not all operating provisions, principles, or articles will be object to analysis but exclusively the ones that are of direct importance to the characteristics of strategic and philanthropic CSR as identified in the third and fourth chapter.

As it is hard to detect any provision in the Companies Act of 1956 that directly stresses the need for responsible business behavior (Deva, 2012:307), it is fair to assume that the new Act and appertaining 135th Clause in itself reflects development in the Indian CSR-approach as responsible behavior has been addressed independently . Hence, the new Companies Act is an attempt to align with international requirements as it is a sign of the Indian Government's understanding of the current economic environment (KPMG, 2013:1).

The introduction to the Rules provide some guidance of what constitutes as legitimate CSR-activities, as it is stated that '*CSR is a way of conducting business*' and that CSR should not be limited to engage in activities that increase corporate profits. (Ministry of Law and Justice (2), 2013:1). CSR should furthermore integrate '*economic, environmental and social objectives with the company's operations and growth*' (Ministry of Law and Justice (2), 2013:1), which indicates a change in the way CSR is perceived as it should be more core business-related and thus evolve from being solely philanthropic.

³⁶ See Chapter four on Indian economic policies and the evolution of CSR for an elaboration of the Indian CSR-approach.

In the Guidelines, it is also suggested what is regarded as responsible business behavior, as *'Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner'* (Ministry of Corporate Affairs, 2011:21). This is followed by an understanding of businesses complying with this principle recognizes that operating within a government prescribed environment of policies and legislation which will provide growth alongside restrictions and boundaries. (Ministry of Corporate Affairs, 2011:21). This, alongside the fact that all nine principles should be implemented in correlation (Ministry of Corporate Affairs, 2011:5), implies that the Indian government seek to influence corporations towards adapting a global strategic approach towards CSR, as corporations should accept to operate within a legislative framework.

Local communities

As it has already been accounted for, there is not much within the actual 135th clause that implies what kind of initiatives corporations should undertake under the new Act. However, the only thing that is explicitly stated, is that corporations shall *'give preference to the local area and areas around it'* when spending the amount earmarked for CSR-activities. (Ministry of Law and Justice (1), 2013:80). In relation to the theoretical and empirical understanding of the two CSR-approaches, this appears antagonistic as CSR-legislation itself indicates an adjustment towards the global strategic trend (Campbell, 2006:929) while the stated preference to local communities indicates retention in traditional old norms within Indian CSR³⁷.

The study by SOS Children Villages from 2011 confirms the trend of philanthropy towards local communities as the drive to give back to society was at the forefront of CSR-activities rather than activities related to core business. (SOS Children Villages, 2011:6).

The Schedule that follows clause 135 encompasses nine activities that the CSR-policies under Companies Act, 2013 must relate to. The activities are exclusively of external character as the activities are concerned with issues such as eradication of poverty, maternal health and environmental sustainability. (Ministry of Law and Justice (1), 2013:294). Though it is not explicitly stressed, it seems that these focus areas are likewise addressed local communities as they are connected to the 135th clause that requires the CSR-activities should give preference to local communities.

However, the Guidelines, that were published two years prior to the new Act, encourage corporations to look beyond local communities and areas within their direct control or sphere of influence. (Ministry of

³⁷ See Chapter four on Indian economic policies and the evolution of CSR.

Corporate Affairs, 2011:5). Instead corporations should encourage stakeholders throughout the entire supply chain to follow the Guidelines (Ministry of Corporate Affairs, 2011:5) which clearly indicates a move away from local community-oriented corporate philanthropy towards a more strategic CSR-approach. Though this guiding principle implies a strategic CSR-behavior it leaves the impression that the Indian government is fully aware of CSRs expansion to cover a corporation's entire value chain.

Employees

The Rules, under Clause 135, encompass nine operating provisions³⁸ that come with compliance of the new Act and thus should be followed by the corporations that fall under the provision of CSR-clause. The operating provisions predominantly concern technicalities regarding reporting and implementation (Ministry of Law and Justice (2), 2013:2-4), but the 8th operating provision states that *'only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR-activity'*. (Ministry of Law and Justice (2), 2013:3). As this is the only operating provision that directly mention the content of the CSR-initiatives, it is reasonable to assume that a great deal of CSR-initiatives within Indian corporations until today has been addressed the employees of the corporation.

The importance of employees within CSR in Indian corporations is further emphasized by the results of the PiC survey regarding key stakeholders who influence the shaping of CSR-policies as 27 percent of the corporation's perceived employees to be the most influential stakeholders. (PiC, 2007:77). And similarly does the SOS Children Villages Report show an emerging trend in Indian corporations of a growing demand for employee engagement. (SOS Children Villages, 2011:7).

The third principle in the Guidelines is likewise addressed employees as *'Business should promote the wellbeing of all employees'* (Ministry of Corporate Affairs, 2011:12). However, it is severely stressed in the Guidelines, that all nine principles are equally important and thus each should be adapted for the business to act responsible. (Ministry of Corporate Affairs, 2011:5).

Preference to employees in itself is not contrary to the global strategic trend as dialogue with employees is perceived as an important stakeholder mechanism equal to NGO-pressure and government regulations. (Campbell, 2006:934). CSR-activities addressed to employees should thus be constituted by more than solely philanthropy for it to distance itself from traditional CSR. The fact that the Indian government

³⁸ See Appendix on Rules under Section 135.

explicitly stresses that activity exclusive benefitting employees is not regarded as CSR (Ministry of Law and Justice (2), 2013:3) indicates that they would like to change the CSR-approach.

Mandatory CSR-spending

It is undoubtedly interesting that India is about to become the first country to legislate on the amount that should be spent on CSR (Firstpost, 2013:wp; Singh, 2013:wp, Kordant, 2013:3) in accordance with the fifth provision in Clause 135 that states that every company that falls under the Clause must spend '*at least two percent of the average net profits*' (Ministry of Law and Justice (1), 2013:80) in pursuance of its CSR-activities. (Ministry of Law and Justice (1), 2013:80). This mandatory CSR-spending is interesting to analyze in relation to the theoretical framework and thus understand if it indicates how the Indian CSR-approach conforms to global trends as it seems quite unique and an anomaly to how CSR is generally understood. (Deva, 2012:300).

Although corporate laws vary across countries, and the fact that CSR-jurisdictions are not uncommon globally, India will become the first country to obligate corporations to spend a set amount CSR-activities. (Deva, 2012:300). Likewise, does the theoretical framework in the present study not provide definitions of mandatory CSR-spending being particularly strategic. However, while regulation and legislation on CSR does indicate a global strategic trend, mandatory spending makes the Indian CSR-approach unique which, according to the theoretical framework, is necessary for it to succeed. (Platteau, 2000:926).

However, there might be some obstacles towards actually complying with the mandatory provision and also regarding how the corporations carry out the provision. Firstly, it is rather the rule than the exception that Indian corporations do not comply with existing legal framework. (Prieto-Carron et al, 2006:978), which means that just because the Indian government has provided a legislative CSR-environment to operate within, the corporations do not of a matter of course spend 2 percent of net profits on CSR.

This seems to have been taken into consideration when preparing the Act as it is stated that a corporation's board must specify the reasons for not spending the amount in its annual report. (Ministry of Law and Justice (1), 2013:80). This further provides evidence of the Government conforming to global trends, as they have incorporated a control mechanism into the new CSR-legislation, as the theoretical framework prescribes it (Campbell, 2006:929).

The Act does not provide a definition of what is considered to be a valid explanation for not abiding the two percent spend which 'comply or explain' policy might make sense if a corporation is facing deficits for instance (Kordant, 2013:3). However, as CSR still lacks to be accepted by the general public of being a

sustainable and profitable way of doing business (SOS Children Villages, 2011:8) the Indian society does not expect corporations to handle CSR strategically and thus will the board might feel that the money is spend better elsewhere and hence come up reasons for not spending the two percent on CSR. (Kordant, 2013:3).

However, other issue arises around the mandatory CSR-spending, as it does not really encourage corporations to integrate CSR into core-business processes. This means, that if a corporation spends the mandatory amount on CSR, and thus abide the law, it will still be able to behave irresponsible and thus will the Act suffer from the same limitations that is inherent in the philanthropic CSR-mindset. (Deva, 2012:315).

NGOs influence on the CSR-approach

It is relevant to note, that a multi-stakeholder approach towards CSR can be difficult in developing countries as, for this approach towards CSR to succeed, there has to be a well-organized and powerful civil society which is often weak in developing countries. (Chahoud et al, 2007:23).

According to Partners in Change are partnerships with other organizations regarded as beneficial to corporations as they can avail the expertise provided be these partners. Partnerships with NGOs, community and government emerged as the most significant partners though half of the corporations had not entered into any partnership. However, the number of partnerships between corporations and NGOs has increased form 2003-2006. (PIC, 2007 :100-101,xxxiii).

The business-NGO partnership can bring additional benefits for the corporations, and their CSR-approach, as these corporations, with a history of engaging NGOs in CSR-initiatives, has a more strategic approach aligned with core business than other Indian corporations. (SOS Children Villages, 2011:1,6). The report furthermore shows a growing trend in community programs and thus engagement with NGOs. (SOS Children Villages, 2011:6).

As is evident from the previous analysis part, NGOs in India does not provide great influence when designing and conducting CSR within Indian corporations. According to the SOS Children Villages report this is due to a long-term concern about reliability towards NGOs. (SOS Children Villages, 2011:8). However, the same report simultaneously proposes an emerging trend to be an increasing recognition of CSOs alongside the importance for transparency and professionalism in NGOs. (SOS Children Villages, 2011:7).

This increase and growing interest for business-NGOs partnerships within CSR indicates that the Indian CSR-environment is partly conforming to a global strategic trend with NGOs as institutional actors within CSR.

However, the NGOs still lack to manage multiple roles, according to the theory, as they should enter into partnerships with NGOs and act as a watchdog that will pressure corporations, if necessary, to behave socially responsible.

Though this emerging trend does not provide any insight to how NGOs influence corporations to have a strategic or philanthropic approach towards CSR, it is fair to assume that if the growing demand for stronger NGOs is realized, NGOs will find themselves in a position where they can provide greater influence on the Indian CSR-approach. Furthermore has several initiatives been taken from a group a voluntary organizations to help NGOs become more transparent and accountable. (SOS Children Villages, 2011:7).

6.2.1. Sub-conclusion

As the previous analysis accounted for the role of NGOs and government, this analysis has sought to clarify how NGOs and government initiatives affects and encourages the Indian CSR-approach to be either philanthropic or strategic through government initiatives and pressure from NGOs towards corporations.

The fact that the Indian Government legislates on CSR indicates a development from the former Companies Act that dates back to 1956 where responsible business behavior was not mentioned and simultaneously a move towards global trends as legislation on CSR reflects a strategic approach towards CSR.

A mandatory two percent spend on CSR is surely a unique feature of the Indian CSR-approach as the theory prescribes it should be, but apart from the mandatory spend, there is not anything apparently unique about the proposals in the Guidelines and in the Companies Act, 2013. (Deva, 2012:321). However, if a deeper look is taken into the nature of the proposals in the Guidelines and the new Act, there are some features that disclose how the Indian CSR-approach conforms to the global strategic trend.

In the Rules following the new Act it is stressed that CSR is a way of conducting business and that CSR-policies exclusively addressed employees is not regarded as CSR. Instead should CSR be integrated into a corporations business operations and provide growth. However, employees are obviously regarded as an important stakeholder within the Indian CSR-environment and the attention this group has been given, within the various Government documents, reflect a distinct Indian CSR-approach that traditionally has focused on employees.

As earlier accounted for, philanthropy towards local communities has traditionally been dominant within the Indian corporate responsible behavior. The Clause on CSR likewise states that CSR-activities undertaken under the mandatory two percent should be earmarked for local communities. However, is it emphasized

in the Guidelines that corporations should encourage stakeholders throughout their value chain to follow the Guidelines which implies a more strategic approach towards CSR.

As accounted for in the previous part of the analysis is the business-NGO relationship in India strongly affected by a general mistrust towards NGOs partly due to a history of poor management and corruption within NGOs. However, studies show that business-NGOs partnerships are emerging and businesses are looking for reliable NGOs to enter into partnerships with and several initiatives has been taken to disseminate good governance in the voluntary sector in India. If this emerging trend is being realized, NGOs might have greater influence on CSR-policies in the future.

The fact that India is about to make a set amount mandatory for CSR indicates a strategic approach in itself and a development of how CSR traditionally has been regarded with corporations being trustees of wealth and thus obliged to share with the surrounding communities. The Indian government has furthermore made it statutory to report if and why a corporation fails to spend the two percent on CSR which in accordingly with the theoretical framework as control-mechanisms should be a part of government regulation.

The above analysis has reviewed selected items regarding CSR within initiatives provided by the Indian government. Except from the fifth provision in the Act, neither of them explicitly expresses concerns regarding philanthropy or local communities which previously have been identified to characterize the Indian CSR-approach. This indicates, also regarded in relation to the following subsection on mandatory CSR-spending, that the Indian government predominantly defines quantity and not quality within the Indian CSR-environment. (Mukherjee, 2013:4).

7. Discussion

This chapter will review the implications of the methodology of the analysis, and consequently, discuss selected findings of the study. Various aspects beyond the methodological framework are also briefly presented and discussed in order to provide a comprehensive answer to the problem formulation and thus a comprehensive conclusion.

Through the thesis the dominating institutional mechanisms of a global strategic CSR trend have been identified to be the **presence of NGOs** and **government involvement**. NGOs must, thus, be present within a CSR-environment to cooperate with corporations and, if necessary, pressure corporations to behave responsibly. This involves a strong civil society with NGOs embedded in the society and having legitimacy in society. Governments should provide a legal framework for corporations to act within which must be designed with guidance and **involvement from the corporations**. The Government shall furthermore provide a control mechanism to ensure that corporations comply with CSR legislation. In a development context, a CSR-approach should furthermore be distinctive and country specific.

The traditional features of the Indian CSR-approach have been identified to determine if it has conformed to the global strategic trend, and how the Indian CSR-approach conforms to global trends in a distinctively Indian way. Thus, the characteristics of Indian CSR have traditionally been **philanthropy towards local communities**. These characteristics can be traced back to Indian merchants of the 19th century, but were really embedded in the Indian society with Gandhi and his theory of trusteeship in the independence period.

Lack of definition of CSR

As made evident in the analysis, it is difficult to find an accurate official definition of CSR from the Indian Government. This means that it is not possible to disclose how the Indian CSR-approach conforms to global trends, solely from the definition of the concept. However, it is relevant to question, if an explicit official definition of CSR is necessary, when the Government explicitly describes what the initiatives should encompass in the new Companies Act as well as in the voluntary guidelines. It is interesting that, with the Guidelines and Clause 135 of the Companies Act, 2013, the Indian government has used two different terms when referring to corporate responsible behavior. The first edition of the voluntary guidelines from 2009 referred to responsible business behavior as CSR, but in the revised version of the Guidelines (which has been analyzed in the present thesis) CSR is replaced by Responsible Business (RB). The concept has thus

been revised and redefined to encompass the limited scope and understanding of the term CSR (Ministry of Corporate Affairs, 2011:4).

In the new Companies Act, 2013, corporate responsible behavior is, however, once again referred to as CSR (Ministry of Law and Justice (1), 2013:80). Although the term was rejected in the Guidelines, CSR has become a cornerstone in the new Act. Concurrently, the fact that neither initiative provides a definition of what constitutes RB and CSR, respectively, it shows clear indication of incoherence as both the Guidelines and the Act emanated from the same government ministry (Deva, 2012:312).

However, the theoretical framework does not demand an official definition of CSR for the concept being defined as conforming to global trends. Thus, the fact that the Indian government seems undecided on which term to use, when defining corporate responsible behavior, does not indicate how the Indian CSR-approach conforms to global trends. Still; an official explicit definition would have helped in disclosing the Indian approach on CSR.

Identification of institutional characteristics

A thorough analysis of the voluntary principles and legislative provisions has furthermore been undertaken to identify the Indian CSR-approach. Though some distinctive features of an Indian CSR-approach have been identified, it is relevant to discuss if additional distinctive features would have appeared if the institutional characteristics had been identified differently. The thesis has focused on NGOs as these have emerged as the most common CSO within the global strategic trend, but what would have been the result/conclusion, if focus had been on labor and trade unions instead.

Trade unions are another CSO which are key actors within CSR (Campbell, 2006:933; Chahoud, 2006:663). Associations representing the interest of workers have a long history in contemporary India as they have been active even before the country's independence. The oldest, All-India Trade Union Congress (AITUC), was formed in 1920, but the number of trade unions grew as Indian industry developed in the early twentieth century (Adeney & Wyatt, 2010:151).

In India, it is not uncommon for several rival unions to be active in the same workplace, and workers can be members of several unions at the same time. The easiest sector to organize is the large-scale workplaces, where workers are already relatively well protected and have formal employment contracts. However, most workers are employed in other sectors on informal contracts (Adeney & Wyatt, 2010:151).

In the 1940s, the Indian Government introduced a legislation that controlled and limited the ability of trade unions to take strike action which gave the Government great power over the activities of trade unions. These moves weakened the trade union movement, and gave political parties greater influence, for instance when the Communist Party of India (Marxist) (CPI (M)) was given control of AITUC (Adeney & Wyatt, 2010:151). The Indian National Trade Union Congress (INTUC) was launched in the wake of the enactment of labor laws that were drastically undermining collective bargaining and made unions depend on state patronage (Chibber, 2003:110).

However, the Indian unions still seem to have similar legitimacy problems as NGOs. Given that unions are allied with political parties, they have lost credibility with many workers due to divided loyalty (Adeney & Wyatt, 2010:151). Concurrently, unions have not been very effective in espousing issues of labor standards and rights (Sood & Arora, 2006:55), just as they have been heavily criticized for overly centralized leadership and a poor record for representation of woman (Adeney & Wyatt, 2010:152).

In the wake of this critique, independent unions, not allied with political parties, have emerged to provide better representation for workers. These unions are, opposite to the politically affiliated unions, usually confined to one workplace. The New Trade Union Initiative (NTUI) incorporates a large number of the independent unions, and the unions tend to have a better record of recruiting members, but they lack influence as they are not connected to a large apex organization (Adeney & Wyatt, 2010:151; Menon & Nigam, 2007:118). It is obvious from the findings made in the analysis, that employees traditionally and continuously receive great attention in Indian CSR. The above, however, has revealed that unions, though definitely present in India, encounter similar problems as NGOs concerning trust and legitimacy from the Indian society. This, together with the fact that charity to employees is not considered CSR according to the new Act, suggests that focus on employees in CSR is due to the tradition of corporate philanthropy, and not as a result of strong unions putting pressure on the Indian government.

India is a unique country

The methodology of the study has entailed an analysis of the characteristics of the Indian CSR-approach relative to global strategic CSR, gaining an understanding of how the Indian CSR-approach conforms to global trends. However, it is critical to keep in mind that India is a unique country with unique features that might not appear from the applied analysis strategy.

For instance, India has a highly competitive short-term business climate where managers believe they do not have the time to address issues that provide long-term impact. Focus is kept on direct, short-term

achievements. This feature is identified as the 4th obstacle in gaining greater business-NGO partnerships within CSR in India in the SOS Children's Villages report (SOS Children's Villages, 2011:9). This means that not only are the institutional mechanisms surrounding CSR in India different from the global strategic trend, but the nature of the business environment, and thus the incentives to conduct CSR, also lead to a distinct Indian CSR-approach. This is perhaps due to the rapid growth of Indian corporations where they have not yet had the time to understand, how social factors are integral to their businesses (SOS Children Villages, 2011:9), and thus to maintaining their traditional way of conducting CSR. Furthermore, unlike most Western countries who dominate the global strategic trend, there is a larger gap between rich and poor in India, which means that the role of Indian corporations may emerge differently than they do elsewhere.

8. Conclusion

The present thesis has examined if problem formulation: “**is there a global strategic CSR-trend, what it is, and how does the Indian CSR-approach conform to it.**” The study on CSR has been conducted from an institutional theoretical perspective as businesses and their corporate behavior, are one of the dominant institutions in today’s globalized society.

Through the theoretic, Platteau, a general understanding of the importance of institutions in development studies has been provided concurrently with recommendations on, how an emerging economy, like India, successfully conducts development. Thus, India must find its own unique institutional pattern of development and provide a country-specific implementation legislation. This means that, instead of copying frameworks from Western countries, India must comply with the demands of economic modernization within their own cultural and social traditions.

In addition to Platteau, Campbell has been a main theoretician in understanding the institutional nature of a global strategic CSR-trend. The study has determined the main institutional characteristics of global strategic CSR to be the **presence of NGOs** and **government involvement**. NGOs must be present within a CSR-environment to cooperate with corporations, and if necessary, pressure them to act socially responsible. At the same time, governments must provide strong and well-enforced state regulations, developed on negotiation and consensus among corporations, the Government, and other relevant stakeholders, such as NGOs. Furthermore, the Government must deliver a control mechanism that monitors corporate behavior and enforces the regulations when necessary. Simultaneously, a global strategic approach towards CSR must include multi-stakeholder initiatives addressing various stakeholders.

Before commencing the analysis, a clarification of the traditional Indian approach towards CSR has been necessary to later identify a distinctive Indian CSR-approach of conforming to global trends. The characteristics of traditional Indian CSR have thus been identified to be **philanthropy** addressing **local communities** surrounding the given corporation. Indian corporations have a long tradition of philanthropy that dates back to the 19th century, through the years of Gandhi to the post-independence period. Many Indian corporations have therefore regarded philanthropy to local communities as their contribution to the society and in recent years, as CSR.

The knowledge of the institutional mechanisms of a global strategic CSR-trend has been applied to the empirical data on the Indian CSR-environment, to comprehend how the Indian CSR-approach conforms to global trends. There is no doubt that the Indian Government, as a CSR-stakeholder, is aware of the need to

evolve from merely philanthropy between corporations and local communities, towards a more strategic way of conducting CSR.

The Indian government has primarily attempted to encourage and enforce this development through two initiatives: the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business (2011) and Clause 135 regarding CSR in the Companies Act, 2013. Consequently, these initiatives have been examined collectively with two extensive reports on stakeholder-involvement in Indian CSR with emphasis on NGOs.

Several aspects of the analyzed empirical data disclose a distinctively Indian approach towards CSR and concurrently how the Indian approach conforms to global trends. The most obvious distinctive element is the fifth provision in the new Companies Act, that states a mandatory two percent spend on CSR. Though CSR-legislation is a characteristic of global strategic CSR, India is the first country to set a fixed amount allocated for undertaking CSR-activities.

Neither the Guidelines nor the Companies Act provides an explicit definition of CSR, but the content of the principles and provisions reveal that while the Indian government is aware of the need to comply with global trends, the tradition of philanthropy towards local communities is still deeply rooted. This is evident from the Companies Act as the mandatory CSR-spend must be earmarked for local communities. Thence, it can be concluded that the Indian CSR-approach conforms to global trends by legislating on CSR, while still sustaining a focus on local community development.

The Indian government's approach to CSR furthermore conforms to the global strategic trend by involving relevant stakeholders, such as corporations and NGOs, in the process of developing Guidelines on CSR, and by requiring monitory mechanisms of the CSR-initiatives to be undertaken by the board of the corporations.

The same conformity with the global strategic CSR-trend cannot be concluded regarding NGOs within the Indian CSR-environment. Though there are numerous NGOs present in India, their position and legitimacy in the Indian business society abstain the organizations to adopt a role that be categorized as a strategic stakeholder within the Indian CSR-environment. A general lack of trust towards NGOs in India, due to a history of poor management and absence of transparency, means that NGOs are not regarded as a significant stakeholder within CSR. However, several studies show that NGOs slowly but steady are gaining increased influence and the business-NGO partnerships within CSR are emerging. Likewise, initiatives have been taken to disseminate good governance in NGOs operating in India, which indicates that the Indian CSR-environment attempts to evolve and conform to global trends.

Within the present research design, the study shows that there is a global strategic trend and that the Indian CSR-approach, to a certain extent, attempts to conform to it. Legislating on CSR, involving stakeholders in the process of developing voluntary guidelines, and establishing control mechanisms to monitor corporate behavior indicates conformity to global trends. Likewise, the Government initiatives encourage a shift from traditional corporate philanthropy towards more core business-oriented initiatives. Simultaneously, Indian norms and traditions reflect a distinctively Indian approach towards CSR by continuously focusing on development of local communities.

Despite CSR-legislation and a distinctively Indian CSR-approach, India is a unique country and the Indian CSR-environment still has obstacles to overcome. A general mistrust towards NGOs and a corporate sector that relies primarily on oneself maintain parts of the Indian CSR-environment in traditional norms. However, NGOs are slowly gaining increased trust, and perhaps the Companies Act, 2013, will influence the future of Indian CSR.

9. Clarification of concepts and contributors

Campbell, John L. (1952 -)

John L. Campbell is professor of sociology at Dartmouth College and professor of political economy at Copenhagen Business School. Campbell's institutional analysis of *'The Paradox of Corporate Social Responsibility'* from 2006 serves as the main source for identifying the institutional characteristics of the global strategic CSR-trend.

Civil Society Organizations (CSO)

Civil society can be broadly defined as *"a collection of voluntary associations that stand between the family and the state"* (Adenay & Wyatt, 2010:142). However, it is debatable whether **all** associations should be included in this definition, and in this thesis *civil society organizations* are referring to unions and NGOs of which the latter will be subject to analysis.

Corporate Social Responsibility (CSR)

In line with the present field of research, the definition of CSR no longer equals giving to society through philanthropy as CSR today is a part of many businesses' core operations and a strategic part of their existence. In the present thesis, the definition of CSR will be the official, and most commonly cited, definition from the European Commission, that defines CSR to be *'the responsibility of enterprises for their impacts on society'* (European Commission, 2011:6).

Emerging markets

The term emerging market was originally invented by the International Finance Corporation³⁹ (IFC) to describe a relatively short list of middle-to-higher income economies among the developing countries (Kanani, 2012:79). The term is commonly used to describe an economy with a Gross Domestic Product (GDP) per capita significantly lower than the developed economies, but typically with a growth potential above the global average. For example the four BRIC countries, Brazil, Russia, India and China, are perceived as emerging markets.

Institutions

³⁹ IFC is a legally and financially independent institution with the overarching goal of ending extreme poverty by 2030 and boost shared prosperity in every developing country (IFC, 2014:wp).

The thesis complies with Douglass C. North's definition of institutions as being the "*the rules of game in a society or, more formally, [institutions] are the humanly devised constraints that shape human action*" (North, 1990:3). North's definition includes both formal rules such as laws, taxation and market regulation as well as informal norms of behavior such as habits and ideologies. More specifically to the present thesis are institutions which act within a CSR-environment and who constrain and enable corporate responsible behavior.

Multi-national Corporations (MNCs)

A multinational corporation is a corporation that operates in at least one country other than its home country. When referring to MNCs, it is always regarding foreign corporations in India and not Indian MNCs, though these are present. When discussed in the thesis, except in chapters, 'Problem area' and 'Theoretical framework', MNCs refer to the subsidiary of a foreign MNC in India, if not otherwise indicated. Likewise, if the text refers to an Indian MNC this will be explicitly specified.

Outsourcing

The term outsourcing refers to the new form of international trade where a large number of corporations from the developed world have moved the entire or parts of their production to countries like India to gain profit (Rajadhyaksha, 2007:81). Equally to the concept of *MNCs*, outsourcing refers to Western countries that have outsourced to India in various sectors. The concept might also be referred to as business-process-outsourcing (BPO) in the thesis.

Public Sector Undertaking (PSU)

The government-owned corporations are termed public sector undertakings in India. A public sector undertaking in India is a legal entity created by the government to undertake commercial activities on behalf of the government. In a PSU, the majority of the paid up share capital is held by central government or by any state government, or partly by the central governments and partly by one or more state governments.

Platteau, Jean-Philippe (1947 -)

Jean- Philippe Platteau is director of the Centre for Research in Economics of Development (CRED) at the University of Namur (CV of Jean-Philippe Platteau, no date:wp). Platteau lays the foundation for the theoretical framework in the present thesis by providing general insights on the importance of institutions in economic development and the process of institutional change.

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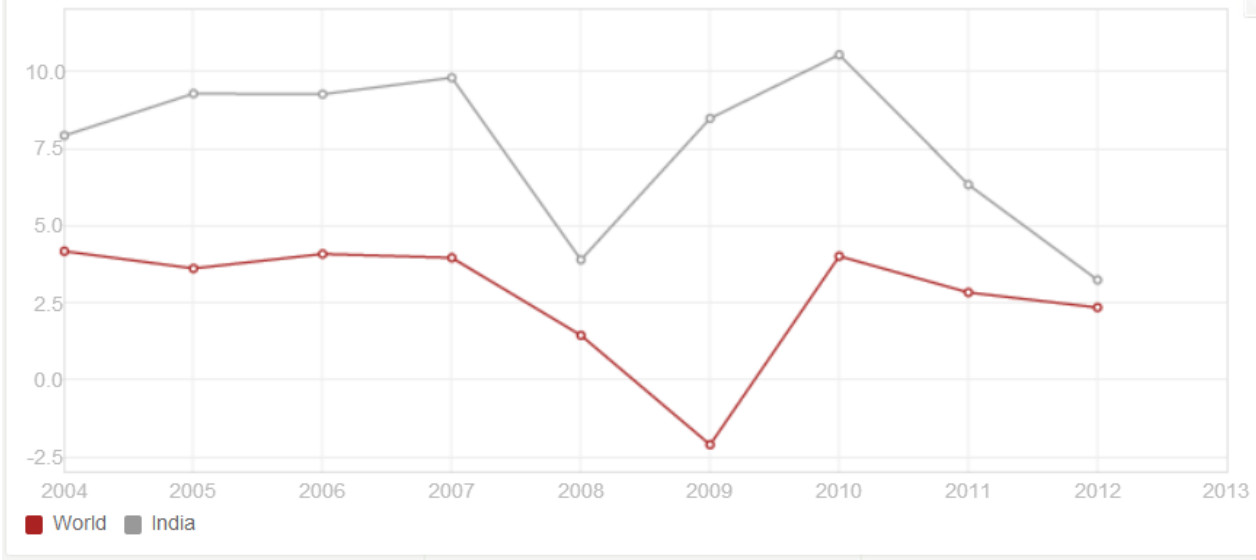
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Appendix I, Annual growth in GDP, India



(World Bank, 2014:wp)

Appendix II, References

The following explains how sources are referred to in the text and in the literature list if the information is accessible. Otherwise, as much information about the source as possible will appear.

In the text *books* are referred to as (last name,year:page) and in the literature list books are referred to as (last name, first name, year, *title*, publisher, location).

In the text *scientific articles* are referred to as (last name,year:page) and in the literature list scientific articles are referred to as (last name, first name, year, *title*, journal, date, volume, issue, page, publisher, location).

In the text *reports* are referred to as (author or organization,year:page) and in the literature list reports are referred to as (author or organization, year, *title*, publisher, location).

In the text *web pages* are referred to if possible (author/organization, year: web page (wp)) and in the literature list web pages are referred to as (author/organization, year, web address, access date).

When authors have last names beginning with *van* they are listed under the capital letter of the last name. Example Mariette van Huijstes will be listed under H; van Huijstee, Mariette.

In the text *citations* are referred to in *italics type* followed by the reference. If the citation is more than 1-2 lines, it is separated from the paragraph.

Appendix III, Principles of the Guidelines

THE NINE PRINCIPLES:

- 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 interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized'.
- 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'.

Source: Ministry of Corporate Affairs, 2011:7-25.

Appendix IV, Clause 135 on Corporate Social Responsibility

Corporate
Social
Responsibility.

135. (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.

(Ministry of Law and Justice (1), 2013:80)

Appendix V, Schedule VII

SCHEDULE VII

(See sections 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies

Activities relating to:—

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) social business projects;
- (ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- (x) such other matters as may be prescribed.

Appendix VI, Rules

Proposed Draft Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013

Guiding Principle

CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations.

CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

.....
.....

In exercise of the powers conferred under clause (o) and clause (q) of sub-section 3 of Section 134 read with Section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 the Central Government hereby makes the following Rules namely:

PART I

Short title and commencement

1. These rules may be called the Corporate Social Responsibility Rules, 2013.
2. They shall come into force on the date of their publication in the official gazette and shall be applicable from the financial year 2014-15.

Definition:

3. In these Rules, unless the context otherwise requires:-
 - (a) 'Act' means Companies Act, 2013;
 - (b) 'Corporate Social Responsibility' means Corporate Social Responsibility (CSR) as defined in Section 135 of the Companies Act 2013;
 - (c) 'Ministry' means the Ministry of Corporate Affairs;

- (d) **'Net Profit'** for the section 135 and these rules shall mean, net profit **before** tax as per books of accounts and shall not include profits arising from branches outside India.
- (e) 2% CSR spending would be computed as 2% of the average net profits made by the company during every block of three years. For the purpose of First CSR reporting the Net Profit shall mean average of the annual net profit of the preceding three financial years ending on or before 31 March 2014.
- (f) Reporting will be done on an annual basis commencing from FY 2014-15.

- (g) Tax treatment of CSR spend will be in accordance with the IT Act as may be notified by CBDT.
- (h) Words and expressions used in these Rules and not defined herein but defined in the Act shall have the meaning respectively assigned to them in the Act.

PART II

Operating Provisions of the Rules

1. CSR activities may generally be conducted as projects or programmes (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of a company. The CSR Committee constituted under sec. 135(1), shall prepare the CSR Policy of the company which shall include the following:

- a. specify the projects and programmes that are to be undertaken.
- b. prepare a list of CSR projects/programmes which a company plans to undertake during the implementation year , specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same.
- c. CSR projects/programmes of a company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value.
- d. CSR Policy of the company should provide that surplus arising out of the CSR activity will not be part of business profits of a company.

e. CSR Policy would specify that the corpus would include the following: a. 2% of the average net profits, b. any income arising therefrom c. surplus arising out of CSR activities.

2. The CSR Committee, shall prepare a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by the company.

3. Where a company has set up an organization which is registered as a Trust or Section 8 Company, or Society or Foundation or any other form of entity operating *within India* to facilitate implementation of its CSR activities in accordance with its stated CSR Policy, the following shall apply:

- a. The contributing company would need to specify the projects/programmes to be undertaken by such an organization, for utilizing funds provided by it;
- b. The contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only;

4. A company may also conduct/implement its CSR programmes through Trusts, Societies, or Section 8 companies *operating* in India, which are not set up by the company itself.

5. Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying on activities in related areas.

6. Companies may collaborate or pool resources with other companies to undertake CSR activities and any expenditure incurred on such collaborative efforts would qualify for computing the CSR spending.

7. Only such CSR activities will be taken into consideration as are undertaken within India.

8. Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity.

9. All companies falling under the provision of Section 135 (1) of the Act shall report, in the prescribed format, the details of their CSR initiatives in the Directors' Report and in the company's website.

(Ministry of Law and Justice, 2013:1-4)