Why State Intervention is required for Corporate Social Responsibility? An Indian Experience

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Abstract

This article highlights the role of state to promote CSR in India.
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ABSTRACT

At present Corporate Social Responsibility (CSR) has appeared as a topic of universal discussion. Although the history of CSR and its origin dated back to eighteenth century as part of Corporate Philanthropy, the term CSR gained popularity in 1960s at the onset of cold war and during the golden age of new social movements. In India we are familiar with conducting business ethically and in a socially responsible way, emphasised by monks, religious institutions and emperors throughout the Indian history, but nonetheless the postcolonial India remains a mile away in achieving and accepting the CSR as part of business operations. With the Companies Act 2013 new hopes have been rekindled. In this changing nature of global and national economy with the rising number of Multinational Corporations, Small and Medium Enterprises, the role of the state is pivotal in ensuring the success of CSR in India, focusing not only to legislate but with constant discussions, deliberations and implementing the laws with the assist of various other stakeholders are the keys of success of CSR in India.

Keywords: Corporate Social Responsibility, Corporate Philanthropy, Indian Companies Act 2013, Multinational Corporations, Small and Medium Enterprises, Corporate Governance

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**Why State Intervention is required for Corporate Social Responsibility?**

**An Indian Experience**

**Introduction:**

In contemporary decades Corporate Social Responsibility (henceforth CSR) has appeared as a topic of universal discussion. In spite of its rich historical heritage, the notion of CSR is greatly contested and there is a greater ambiguity regarding its implication. It is multifaceted and diverse because notwithstanding its universal acceptability in one form or other, different countries have develop their own agendas, policies and strategies to address a multiplicity of issues of society. The notion of CSR is relatively recent phenomenon but the idea however has a long history. In US it was initiated as a part of corporate philanthropy but, in the modern idea, particularly in the case of Europe, CSR is very different from corporate philanthropy because CSR is a process by which corporations maintain its relationship with the stakeholders to promote common good, it is not a voluntary exercise rather it is a commitment to address various developmental activities towards the society especially towards the underprivileged sections of the society. CSR aims at giving back corporations’ debts to the society with direct concern to improve the quality of life. Responsibility here implies ‘corporations’ debt and obligations towards society, to look after social welfare, to indulge in sustainable development rather than just serving the society by providing economic and business related services (see Crowther & Aras, 2008, pp. 21-22; Mander & Asif, 2012, pp. 78-80). In the current context CSR has been defined both as an academic discussion and practice of corporations that deals with various moral and ethical dimensions. Today CSR leads by a Triple Bottom Line (TBL) approach – People, Profit, and Planet (see Agarwal, 2008, p. 63). But the desirability of considering social performances of corporations is something of a herculean task since corporations as business entities prime interests are how to gain more profit and reduce loss. It is that dichotomy between profit and ethics that dominates the whole understanding of CSR.

**Objectives of the study:**

As the matter outlined in introduction, CSR appears as a dichotomous element between United States philanthropist model and European ethical business model. Apart from the two dominant views – US and Europe – of CSR, the Indian experience is quite different. Here, the state takes an initiative to promote CSR by enacting parliamentary act passed in 2013. Objective
of this study is assessing why state intervention is needed in India, and whether the state has the rightful space to intervene in the domain of corporations.

**Methods and methodology:**

The building block of any research activity is to engage in theoretical exercise in a systematic and scientific manner by understanding the theoretical basis of the pertinent issues. These activities necessitate a complete understanding the literatures available to access various CSR related issues, the role of the state in the development of CSR activities, general and comprehensive understanding of policies that promoted CSR in general. To obtain the literature, various governmental and companies’ annual reports were the primary source. Similarly reports from various international organizations, government documents were analysed to understand the how governments around the world promote CSR related issues. Existing literature on CSR are considered to uncover the role of government to promote CSR initiatives in both public and private sector. Various available journals and articles were surveyed as well. News reporting and internet were helpful to explore the current situation of CSR in India. Similarly careful investigation of existing policies, laws of CSR in India were also carried out while carrying out a comparative analysis of CSR in the East and West. Similarly India being the one of the largest and growing economy in the world it is imperative to access the policy area of CSR promotion and to comprehend the history of framing policies for CSR promotion spanning about two decades. The analysis of their policies, implementation measures and experiences helps to build up an understanding of the kind of CSR policy framework that could be promoted by the government of India. Here we adopted neoinstitutionalist methodology to assess the nature of neoliberal state. Neoinstitutionalism as an approach to politics in general opposes neo-liberal theory which promotes market instead of state and it favours active role of the state institutions to promote public policies especially in the developing world.

**Making Sense on the Various Perceptions on CSR:**

*Perception of business bodies on CSR* – From the point of view of business bodies CSR is nothing but a new agenda of promoting brand value. It is part of corporate strategy to attract more customers by gaining their trust and confidence in corporation’s operations. The ultimate aim of contemporary corporate bodies is not profit maximization but profit optimization.
**Societal understanding on CSR** – From the societal understanding of CSR corporations which are itself a part of the larger society not only ethically or morally obliged rather it is their duty to address the various societal ills in a proactive and a serious way.

**Rights based understanding** – Consumers and customers, employees and all who are affected by the workings of the corporations have the rights to be informed about corporation’s activities. Corporations should be transparent in their operations and they are not only responsible to shareholders rather they should be accountable to stakeholders.

**Corporate Social Responsibility and Corporate Governance:**

The relationship between CSR and Corporate Governance (henceforth CG) is vital though conceptually they may be different but practically they overlap. Corporate Governance underlines the external regulations and internal control of the firm by legal means and assumes that monitoring over the firm is controlled by Board of Directors on the other hand CSR emphasizes how a corporation regulates its business with reference to societal norms. It may seem that CG is related with profit maximization and providing security to shareholders where CSR is against profit maximization because it calls for corporations debt to external stakeholders which may hamper the interest of shareholders but this narrow definition of CG is based on Anglo-American model that focused on serving the needs and priority of shareholders to fulfill their short term profits are misguided because in today’s world all important CG documents, company law, regulations confirms that corporations have much more wider purpose than meeting short term purpose, similarly it is also wrong to assume that all shareholders focuses on short term interests because CSR provided the opportunity to develop a better image within society by engaging in various societal activities. So CSR today are not aloof from CG rather CG becomes an umbrella term which encompasses CSR under its ambit. Companies today understand that they conduct their business within society draw profits from society so both ethically and to conduct their business efficiently they must have to develop a better brand value by actively engaging in society. So in short CSR and CG are not contradictory to each other rather they are inter-related and complimentary to each another.
The Concept and Historical Trajectories of CSR:

The term Corporate Social Responsibility becomes a buzzword and get the attention of social science researchers, entrepreneurs, business entities over the last four decades both in the west and in the east, similarly India is also no such exception in this regard. But the history of CSR and its origin dated back to eighteenth century as part of Corporate Philanthropy. The arguments were very simple and straight forward corporations which are itself being a part of larger community and operating within society are ethically and morally responsible towards the present and future generations of society. However the desirability of considering the social performance of business entities sparked a new debate while for some the ultimate objective of any corporation is to do it business well by doing business it is serving the needs of the society while for others “every large corporation should be seen as an entity whose decisions and existence can only be justified if it only serves public or social purpose” (Dahl, 1972, pp. 17-23). The advent of Liberalization, Privatization and Globalization saw proliferation of Multinational Corporations and Small Medium Enterprises (SME’s) around the world, with the rising number of business entities brings about new challenges and new approaches to CSR.

Historical Developments of CSR in the West:

Doing business and trade while making consideration for the needs of the society however has a long history. In eighteenth century the classical liberal thinker Adam Smith in his Wealth of Nations (1776) voiced his opinion in favor of a laissez-faire economy where the state intervention in business and trade would be limited. Smith believed that if business could operate freely without any hindrances then it would be easier to gain more profits that can be used for various developmental activities. By the early nineteenth century at the onset of industrialization the number of business entities increased profoundly which impacted society as a whole. During that time various corporations most notable Cadbury, Kellogg etc started to understand that their responsibility rests far more than just selling their products, they have an accountability to help in maintaining a standard quality of foods for their consumers while protecting the environment. Similarly during twentieth century number of corporations increased in U.S and in Europe. From this moments several trade union bodies, workers movements around the globe compelled the governments to introduce several welfare policies while suggesting and influencing corporations to be more responsible in their operations. However the concept of CSR gained popularity in
1960’s at the onset of cold war and during the golden age of new social movements. In 1953, Howard R. Bowen’s book *Social Responsibilities of the Businessman* first opens up about social obligations of corporations towards the society. However it was from 1960’s onwards some groundbreaking theoretical works were published addressing the importance of corporations’ direct involvement with society. The most notable work was written by Archie Carroll in which he provided the theoretical and conceptual basis of CSR by providing the pyramid of CSR that identifies the different and multiple dimensions of CSR (Carroll, 1991, p. 42).

**Table 1**

![Pyramid of CSR Diagram](pyramid-diagram.png)

Source: Carroll, 1991: 42

From 1990’s onwards at the onset of globalization, corporations started to take CSR as a part of corporate strategy. Corporations started to anticipate it will be much easier for them to meet their objectives if they are directly engaged in day to day activities of common people. Corporations with a positive brand value will attract more customers, if they able to build a good rapport by engaging in various social developmental programme.

**The Indian Experience on CSR:**

The concept of CSR both as an academic discipline and business strategy gained momentum during 1970’s in the West but the notion of CSR also attracted the business corporations the developing world. The twenty first century which is regarded as *Asian Century* and the focus are
on China and India, the two most emerging economical and powerful country, it is expected that these countries will play a pivotal role with regards to CSR. In case of India the notion of CSR as a part of philanthropy is quite old. Indian history is full of instances where various emperors who used to donate a large sum of money for societal development, the existence of various Temples, Mosques, Dharmasalas who also engages in various societal activities are also common (Agarwal, 2008, p. 11). But the beginning of nineteenth century fundamentally altered the notion of CSR as philanthropy in India and it encouraged various big corporate houses and industrialists to engage in community development programme. Similarly during that time various corporate houses like TATA under Jamshedji Tata already ventured in CSR related activities as a part of Corporate Philanthropy in the first decades of twentieth century. Apart from TATA, other big houses like Godrej, Birla are also renowned for their philanthropic activities, but it was not all private enterprises but also various public enterprises like Hindustan Petroleum Corporation, Gas Authority of India, Steel authority of India Limited (SAIL), Indian Oil also actively engaged in various societal development programme like providing health care facilities, education, protecting environmental sector etc. Today several of these corporations have their own CSR related teams that develop strategies, formulate CSR related policies and also gather financial resources to carry out their CSR related activities. So in short, the growth and development of CSR in India can be divided into five phases:

**Phase 1** (1850-1909): This phase was of philanthropic and charitable in nature, CSR related activities were influenced by Indian values, tradition, customs etc. During that time big corporations engaged in community development programme by constructing Temples, Mosques and other religious institutions.

**Phase 2** (1910-1950): During the Independence movement Mahatma Gandhi called upon various industrialist to share their wealth in the upliftment of poorer sections of society, with his idea of Trusteeship he influenced various industrialist notably Jamshedji Tata to build educational institutions and encouraged other sectors to engage in social reform.

**Phase 3** (1951-1990): This phase was marked by emergence of various PSU’s, the policy on industrial licensing and taxes restrictions on private sector resulted in corporate malpractice which called for legislation on Corporate Governance, labor and environmental issues. In spite of emergence of various PSU’s their contributions were remain limited. So in order to develop mass
consciousness on CSR various workshops, seminars often with collaboration between public and private sector and Government held that fundamentally changes the notion of CSR in India.

**Phase 4** (1991-2012): At the onset of Liberalization, Privatization and Globalization (LPG) and India’s economic reform the expectations from various corporations grew higher. Similarly during that time with the proliferations of MNC’s and SME’s, new initiatives were called for legislation with regards to CSR and better regulatory framework.

**Phase 5** (2013-ongoing): The Companies Act 2013 is an historic milestone in the area of growth of CSR in India. This act provides an opportunity to corporate sector to socialize their operations; this act also introduces several provisions which will change the way how Indian corporations conduct their business. The major aspect of this phase is that it tries to break away from philanthropic notion to make CSR a mandatory for Corporations.

**Important Provisions of Companies Act 2013:**
The Section 135 of this act will be applicable to all corporations which have met the following criteria (Confederation of Indian Industry, 2013, p. 13)

- Net worth of INR 500 Crore or more
- Turnover of INR 1000 Crore or more
- Net profit of INR 5 Crore or more

CSR policy of company should ensure that the surplus generated from the CSR related activities should not be used for business profits. Similarly this act also specify that corporations must have to spend 2 per cent of their average net profit on CSR activities if they do not spend the fixed amount the reasons must have to be highlighted in their annual report. Similarly this act also calls for setting up a board and a CSR committee who will be responsible for all CSR related activities.

**Table 2**

<table>
<thead>
<tr>
<th>Role of the Board</th>
<th>Role of the CSR committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set up a CSR committee</td>
<td>Consists of 3 directors or more with at least one independent director</td>
</tr>
<tr>
<td>Approving CSR policy</td>
<td>Formulate and recommend a CSR policy to Board</td>
</tr>
</tbody>
</table>
Ensure CSR implementation
Recommend the Board regarding the responsibilities and expenditure on CSR related activities
Make sure corporation spend 2% on CSR related activities
Monitor CSR activities from time to time
Make annual CSR report

Source: Confederation of Indian Industry, 2013, p. 13

An amendment made under schedule VII in 2014 that highlights the CSR initiatives. As wrote down by Bhusan (2018, p. 313) some of them are:

- Eradicating extreme poverty and hunger;
- Promoting health care and sanitation including contribution to ‘Swachh Bharat Kosh’;
- Propelling education and employment enhancing skills;
- Promoting gender equality and empowerment of women;
- Ensuring environmental sustainability and conservation of natural resources including contribution to the ‘clean ganga fund’;
- Imparting training so as to promote certain categories of sport.
- Contributing towards the Prime Minister’s National Relief or any other relief fund set up by the Central Government.

The corporate sector thinks the mandatory version of CSR as ‘taxation over taxation’ (Bhusan, 2018, p. 318). Though this act rekindled new hope with regards to CSR in India but the initial outcome was not satisfactory. Drawing from the annual CSR report of 2014, it highlighted in spite of this act how various corporations only contribute a substantial amount (sometimes only 0.3-0.5 per cent) on CSR related activities. This occurs due to lack of punishment to the offenders which hamper the viability of this act, but in spite of various short coming this act marked the beginning of a new era in CSR related activities in India.
Implementing Corporate Social Responsibility: Role of the State

It is undeniable that actions of the government are pivotal for nurturing an environment where private entities and government can discuss; deliberate in various CSR related activities. Over the last decade government are welcoming and encouraging stakeholders to take a positive role in CSR along with the private and public sector. Similarly with the rising profile of CSR, it links government actions with other challenges that were brought by globalization and economical change in twenty first century. In a globalised economy with the emergence of Good governance, corporate governance, CSR provides a platform and a framework where corporations, government and civil society can answer the major social and political issues like affordable health care, education, unemployment etc (Albereda, Lozano, Tencati, Midttun, & Perrini, 2008, p. 17). Similarly both the government and corporations around the world started to apprehend CSR as a means of ensuring sustainable development. Similarly as the numbers of corporations are increasing corporations are looking to use CSR as an advantage to draw more customers.

Though the western states have already understood that in a changing political and economic scenario, with the increasing regional competitiveness they must have to initiate pro-active CSR policies that can help them to achieve sustainable developmental goals. Some experts believe that the government requires to reinvent their role, and also needs to enact legislation which will offer a framework that will ensure business behaviour that delivers outcomes to meet the challenges the society is facing. In this Neo-liberal regime the role and responsibilities of governments are multifaceted which are highlighted below.

Table 3

<table>
<thead>
<tr>
<th>Role of the government in CSR agenda</th>
<th>Command and Control legislation</th>
<th>Regulators and Inspectorates</th>
<th>Legal and fiscal penalties and Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilitating</td>
<td>Enabling legislation and Funding support</td>
<td>Creating incentives and Raising awareness</td>
<td>Capacity building and Stimulating market</td>
</tr>
<tr>
<td>Partnering</td>
<td>Combining resources</td>
<td>Stakeholders Engagement</td>
<td>Dialogue</td>
</tr>
<tr>
<td>Endorsing</td>
<td>Political support</td>
<td></td>
<td>Publicity and Praise</td>
</tr>
</tbody>
</table>

Source: Fox, Ward, & Howard, 2002, p. 4
Significance and Present scenario of CSR in India:

In the changing globalised economy the nature and role of the State also changes, India is also not an exception in this regard. The Nehruvian model of import led growth more or less failed because India’s expected growth haven’t been achieved at the optimal level if we compare it to China. In a poverty stricken nation it is necessary to bring the various corporate bodies to tackle this problem of poverty which was emphasized during Bombay plan of 1944. G.D. Birla in that plan stated that “the people in this country should be ensured a minimum in respect of food, clothing, shelter, education, health and other social matters” (Quoted in Chakrabarty, 2012, p. 13). India which may be regarded as the most vibrant and largest democracy around the world but this democracy doesn’t able to bring equitable distribution of resources within the society. With the demise of Gandhi the idea of Trusteeship also wipe out from Indian scenario as a result most of the business houses started to detach themselves from various societal activities. But with the emergence of Globalization and India’s New Economic plan in 1991 Indian state redefined itself. In this new scenario, as Chakrabarty (2012, pp. 14-15) highlights, three important points which have a direct conceptualization on CSR in contemporary India:

First, the goal of planning needs to be reinvented; planning is not an instrument of state interference, but a facilitator of economic growth. Second, in the era of a globalizing world, the role of the private sector in economic growth is equally significant and has to be recognized. Planning cannot be restraining, but must encourage the private sector to participate in developmental activities. The government is supportive of the endeavours of the commercial sector, which is critical for an all-round development of the country. Third, the Eleventh Plan is also concerned with rural development focusing on health, education and infrastructure development. Here, too, the role of the private sector is also highlighted.

In this changing scenario, government now started to collaborate and making partnership with the various corporations. Similarly government has also bottom up approach of planning taking inputs from civil society, corporate houses to frame developmental policies. Similarly government also started to enforce strict regulation to the corporation to be more responsible towards the environment due to the pressure from below. This ‘counter-hegemonic legality’ that involves the various social groups and communities whose livelihood have been affected by
states and corporations to use the legal mechanism to fight for their justice that found its full expression with the emergence of public interest litigation (see Chakrabarty, 2012, p. 15). So the emergence of CSR as development issue has also found its expression in human development agenda that rejects development only in terms of economic growth rather focuses on protecting and developing human capability to fight various social, political, economic issues. So in this changing scenario the role of the government is not only have to legislate but CSR today provides a tri junction relation between government, civil society and corporations to take each other as partners to address the problem that Indian society is facing.

**Indian CSR Report**

Now the most vital question remains how corporations both public and private are actually engage themselves in CSR activities. Here if we make a comprehensive and detailed analysis of CSR in reality we get some intriguing facts. According to India CSR Outlook Report 2018, there is six percent rise in prescribed and eight percent increase in the actual CSR spending. Similarly healthcare, education and skill development remained the top priority areas to spend on CSR activities. Now if we look at the following table we can easily make practical assessment of CSR in India.

**Table 4**

<table>
<thead>
<tr>
<th>Prescribed CSR Spending</th>
<th>9543.51 Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actually Spend</td>
<td>8875.93 Cr.</td>
</tr>
<tr>
<td>Actual CSR spending in compare to Prescribed CSR</td>
<td>93 percent</td>
</tr>
<tr>
<td>Changes from previous year</td>
<td>2 percent increase</td>
</tr>
</tbody>
</table>

Source: NGOBOX; CSRBOX. 2018

Likewise if we try to understand the actuality of CSR in India region wise, we can find that Maharashtra spends more about 14.54 percent out of the total 100 percent in all over India followed by Karnataka with 6.68 percent and Gujarat with 5.83 percent. Now as already mentioned education and skill development are the focus and priority areas to spend on CSR if we carefully consider the following table we can get a complete understanding of sector wise spending on CSR.
Table 5

<table>
<thead>
<tr>
<th>Name of the Sector</th>
<th>Prescribed CSR amount (All figures are in Cr.)</th>
<th>Actual Spending (All figures are in Cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>378</td>
<td>294</td>
</tr>
<tr>
<td>Power and Heavy Engineering</td>
<td>618</td>
<td>599</td>
</tr>
<tr>
<td>Metals, Minings and Minerals</td>
<td>542</td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>1362</td>
<td>1213</td>
</tr>
<tr>
<td>Banking and Finance</td>
<td>2129</td>
<td>1686</td>
</tr>
<tr>
<td>Oil, Drilling, Lubricants &amp; Petrochemicals</td>
<td>2007</td>
<td>2092</td>
</tr>
</tbody>
</table>

Source: NGOBOX; CSRBOX. 2018.

So now if we look at the sector wise spending on CSR, we can easily point out despite India’s remarkable, respected position in software, information technology in the world India IT companies even not been able to spend only a small amount in social welfare activities. Correspondingly India’s engagements with CSR in major sectors are not also excellent enough. But nonetheless it is also not undeniable that companies today are more or less becoming aware to engage in CSR activities. With a steady and continuous growth in CSR year by year this gives us some ray of hope.

Now after exploring the overall development of CSR in India, if we dig deep into the company wise contribution to CSR, it will be much easier and helpful for us to analyse which companies are more pro-active in CSR and how these corporations are operated and regulated their activities a per Companies Act, 2013. In the following table we try to analyse and understand Indian top companies’ contribution to CSR during FY 2017-18.

Table 6

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Average Net Profit (All figures are in Cr.)</th>
<th>CSR Prescribed Expenditure (All figures are in Cr.)</th>
<th>CSR Spent (All figures are in Cr.)</th>
<th>Development Areas where CSR amount have been utilised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliance Industries Limited</td>
<td>35,154.19</td>
<td>703.08</td>
<td>745.04</td>
<td>Health care, Education, Environmental sustainability, Rural development projects etc.</td>
</tr>
</tbody>
</table>
If we look at the contributions of Mid Corporates and Small Medium Enterprises (henceforth SME) to CSR during FY 2016-17 in the following table we find some unique development of CSR in India.

Table 7

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Average Net Profit (All figures are in Cr.)</th>
<th>CSR Prescribed Expenditure (All figures are in Cr.)</th>
<th>CSR Spent (All figures are in Cr.)</th>
<th>Development Areas where CSR amount have been utilised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Express Global Logistics Private Limited</td>
<td>3.34</td>
<td>0.07</td>
<td>0.00</td>
<td>N.A.</td>
</tr>
<tr>
<td>Ufo Moviez India Limited</td>
<td>48.05</td>
<td>0.96</td>
<td>1.50</td>
<td>Sanitation</td>
</tr>
<tr>
<td>Company Name</td>
<td>Donation</td>
<td>CSR Activities</td>
<td>Share</td>
<td>Other</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------</td>
<td>----------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Kavin Engineering And Services Private Limited</td>
<td>11.37</td>
<td>N.A.</td>
<td>0.00</td>
<td>N.A.</td>
</tr>
<tr>
<td>Capricorn Food Products India Limited</td>
<td>20.35</td>
<td>0.41</td>
<td>0.00</td>
<td>N.A.</td>
</tr>
<tr>
<td>Aksharchem</td>
<td>25.77</td>
<td>0.52</td>
<td>0.52</td>
<td>Sanitation, Education, Health care etc.</td>
</tr>
<tr>
<td>Eduspark International Private Limited</td>
<td>11.39</td>
<td>0.23</td>
<td>0.23</td>
<td>Education</td>
</tr>
</tbody>
</table>


Following the above mentioned tables we can say that the big corporations were more or less contributed with their stipulated amount in some cases even contributed far more than their prescribed share. But in case of Mid Corporates and SME’s in most cases companies not only failed to fulfill their shares but in most cases they do not even bother to engage themselves in CSR. The success of CSR more or less depends upon how these companies engage themselves in CSR agenda. According to Dun & Bradstreet Information Services India Pvt. Ltd Report (2017, p. 12), ‘Overall, MSMEs account for an estimated 90% of all enterprises in India. In FY15, the sector accounted for 6% of the GDP, 33% of the manufacturing sector output and about 45% of the country’s exports’. So it very clear that these companies are the backbone of Indian economy. Now it’s become imperative for the government to access this reality and take specific policies, engage in communication with this sector which will in return make CSR a truly successful venture.

**Impediments of ensuring CSR in India and failure of Indian State:**

In spite of growing belief that government must have to be pro-active, the present scenario of CSR related activities in the developing countries are utterly disappointing. In the West from 1970’s they have moved from philanthropic notion of CSR to mandatory acceptance of CSR, but
in the case of India government faces several hurdles to promote CSR. Government from time to time does not involve these corporations in CSR related activities, similarly on part of corporations they do not cooperate and believe in the importance and necessity of engaging in CSR activities in spite of government mandates. There is a sheer discrepancy between accountability and transparency of corporations with regards to CSR related activities in their annual CSR report. In spite of legislation of Companies Act 2013, it is relatively weak due to the absence of a watchdog mechanism as a result there was a gross violation between theory and practice. It is undeniable that Indian Government must have to engage in serious dialogue with various business groups and NGO’s to use their expertise and human and financial resources to solve various societal and environmental concerns. In India there are several concerns to successfully implement CSR, though the government has started Corporate Responsibility for Environmental Protection in 2003, there is no pressure to conform to this mandates. The major challenges that India faces with regards to successful implementation of CSR are (Ray & Raju, 2014, pp. 24-25)

- **Lack of Community participation In CSR activities:** Communities who are to be benefitted from this CSR related activities exhibits less interest in these activities, similarly government also failed to develop consciousness regarding CSR related activities within the community.

- **Issues of Transparency and Accountability:** One of the problems that hinder successful implantation of CSR related activities are corporations are not very clear in disclosing their CSR related activities in their annual CSR report.

- **Failure to interlink between Business and Society:** The fundamental problem of Indian corporations are that they still see CSR as something of philanthropic venture, while the western countries have move from philanthropic notion to mandatory acceptance of CSR ,Indian corporations still failed to understand without developing ties with the society there goals as a responsible entity will never possible.

- **Weak regulatory framework:** In spite of so many legislation from Indian companies act 1956 to Companies Act 2013 Indian state have failed to achieve desired outcome in CSR related activities. The reasons are very simple it is the failure, unwillingness of government to consider CSR as an important issue prevent it from achieving desired
outcome. In contemporary in order to redress every burning social, political, environmental issues there are proper institution may it be in procedural level like National Human Rights Commission, Green Tribunal but in case of CSR there are not a state level institution.

Conclusion:

It was from 1970’s and 80’s major financial institutions like World Bank, IMF, etc. preferred minimalist state rather it insists on market to engage to allocate resources. The basic and generalized assumption was that governments in developing societies are not capable enough both structurally and resource wise to engage in various social welfare and developmental activities because they are supposed to be corrupted. But drawing from neoinstitutional understanding we believe that the formal and informal institutional norms and practices are helpful to sustain viable democracy and governance in the developing societies (see Rakner & Randall, 2018). Neoinstitutional understanding of the state reinvented the state institutions in designing developmental programmes and for the promotions of developmental activities in the developing societies. Developing countries like India have greater responsibility and accountability towards the least advantaged sections. In this context, we take CSR in India as a separate model beyond the philanthropic and business strategy models. Thus, the role of state is most important and detrimental as far as CSR is concerned. In developing societies if state does not directly engage and promote CSR, formulating policies on CSR, develop a legal framework on CSR there would be a gap between the theory and practices on CSR.

As the students of political science, we take this matter in policy level. Policy can be divided into two different levels – substantive and procedural level. If enactment of act falls under substantive level, the later implies the implementation of the policies enacted. Despite many drawbacks, the UPA-II has made CSR from voluntary to obligatory by enactment of Companies Act, 2013. NDA-II allegedly appears to be a pro-corporatist regime, but they could not ensure minimum stipulated contributions of corporations to CSR in many cases. State’s legitimacy is subject to its credibility to implementation of policies that are framed. The primary tasks of any state are two – policy generation and policy implementation. We must say that these two are primary because state is supposed to do these tasks and, on the basis of these tasks state has been legitimized by the people. If we consider CSR after enactment of the Companies Act
2013, we found a sheer discrepancy between theory and practice. It is undeniable in CSR if we consider it as obligatory action then a state policy is important not only for promotion but for proper monitoring also. Though there are so many constraints and controversies regarding the Companies Act 2013 in India, like Bhusan (2018, p. 319) says ‘such activities need not be imposed from above but come from within’, yet the public consciousness, the possibility of state involvement, and the obligations of the corporations to payback something to society from which they are earning their profits – all have been made possible through the very legislation of the state.

**Bibliography**


