

CSR INITIATIVES FOR INCLUSIVE DEVELOPMENT

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Introduction

In conventional business theory and practices, the fundamental objective of the firms were predominantly limited to increasing profit and attaining competitive edge in the volatile global market(Friedman, 1970). The social implications and societal obligations of business operations were largely ignored by the corporates in pursuit of market leadership and penetration. Nevertheless, the last few decades witnessed a radical transformation in the attitude of business corporates towards society in general and their stakeholders in particular. World over, corporate entities began to realise that giving back to the community would result in enhancing brand equity(Margolis & Walsh, 2003).As a result, the role of corporate sector in social and sustainable issues has become a common concept nowadays.Business organisations today realise the need for including non-economic and non-profit related issues in their central strategy and recognise the significance of 'social responsibility' as their core value(Smith, 2003). The term, 'Corporate Social Responsibility' (here after CSR) broadly represents these trends in the business landscape(Vogel, 2005). Globalization, technological revolution and increase in competition played vital role in the emergence of CSR. Across the globe, business entities had already accepted social responsibility as their guiding principle and invest huge amount of their profit in giving back to society(Margolis & Walsh, 2003).Though the realm of development policy was considered as the primary responsibility of government and public sector, with the proliferation of CSR activities, there has been increasing involvement and engagement of corporate entities in economic and social development of the people. Big corporates including Bill and Melinda Gates Foundation, Cocoa Cola, Shell, IKEA, etc. began to invest huge amount of money in several poverty eradication, livelihood generation, skill building and micro-enterprise programs either directly and indirectly. This has resulted in the mainstreaming of marginalized and vulnerable sections across the world, including women, disabled people, aboriginals, conflict affected people etc. The direct involvement and engagement of corporate firms in development projects were functionally different from their earlier CSR activities that predominantly perceived CSR as charity contributions. Hence, the role of CSR in inclusive development- inclusion of the marginalized people in the development process- is a very interesting transformation. Against the context of the increasing importance of CSR in general and its dynamic role in development process in particular, this paper makes a modest attempt to analyze the significance of CSR in 'inclusive development'. Here, inclusive development implies a pro-poor approach that aims at the participation of all stakeholders including the marginalized in development process(ADB, 2009). It also means that the outcomes of development policies and programs should reach the hitherto marginalized and excluded sections of society(ADB, 2009).

Inclusive Development: Meaning and Dimensions

According to ADB Reports, inclusive development implies pro-poor development that ensure participation of the hitherto marginalised sections of society. Unlike the term 'development' that emphasise on changes in basic conditions, health and standard of living, 'inclusive' development

underlies the equal distribution of the benefit of development in society(ADB, 2009). In an elaborate research paper that explains the distinction between development and inclusive development, ADB experts argue that the Human Development Index is not adequate enough to measure inclusive development. However, the Millennium Development Goals or MDGs reflects the spirit of inclusive development to a greater extend(ADB, 2009). It states that education, health, pro-poor policies, rural infrastructure development etc. constitutes indicators of inclusive development(ADB, 2009). The report of World Bank identifies some elements like investment in human capital, provision of micro-credit, access to technology health, education and skill development as the major ingredients of inclusive and sustained growth(Worldbank, 2008). The UN Report of the World Social Situation defines inclusive development as *“the implementation of policies in health, education and economic development that can contribute to development of human capital and enabling the poor to develop their full productive potential”*. Addressing all aspects of poverty will increase the chances of future generation to reap the benefits of today’s policies rather than trapped in the cycle of poverty(UN, 2006).

In nutshell, inclusive development, is a concept that involves equity, equality of opportunities, protection in market imperfections and socio-economic safety nets(Ravallion, 2001). Broadly it denotes the policies and strategies that aim to distribute the benefit of economic growth and development equally among the people without excluding the hitherto marginalized sections of society from accessing it(Ravallion, 2001). Inclusive development is pro-poor, shared and broad based development. (Manjit, 2013). Inclusive development attempts to uplift the lives of marginalized and socially and economically excluded people through specific micro and macro-economic policies.

Role of CSR in Inclusive Development

Initially, there was less interest among the corporates to intervene in development issues. This is mainly because of the notion that development is predominantly a state responsibility. But with the decline of nation-state from welfare commitment, especially after the wave of liberalization and globalization, development process in less developed countries suffered a setback. There was a vacuum in addressing the fundamental developmental problems of these countries (Jenkins, 2005). In this context, it was the multilateral agencies like World Bank and IMF that suggested the involvement of private corporates in development process. Later UN also urged the corporates in support development effort in the Third World. As a result, many companies began to invest in inclusive development projects focusing MDGs in the less developed countries. Development agencies like DFID, CIDA, JICCA and Gates Foundation started implementing rural development projects through private support and public-private partnership model (Jenkins, 2005). As the UK’s Department for International Development (DFID) states, *‘by following socially responsible practices, the growth generated by the private sector will be more inclusive, equitable and poverty reducing’*(Jenkins, 2005). DFID played a vital role in promoting inclusive development through CSR. Apart from that, World Bank also set up a CSR unit within its Private Sector Development Office.

The **indicators for inclusive growth** and development are very difficult to identify. Most of the international agencies have now recognized MDGs as a broad framework to represent inclusive development agenda. According to Tudler, for inclusive growth and development, it is important for the business to invest in creating more job opportunities, tackling MDGs, increasing productivity and supplying necessary goods at reasonable prices for the people(Tudler, 2008). The Global Reporting Initiatives also suggests some core areas in which the CSR need to focus. These include provision of affordable products, creating employment opportunities and building local linkages(Tudler, 2008). The Dutch Sustainability Research Organisation (DSR) identified the indicators inclusive development as (1) community development (local entrepreneurship, the provision of essential products and services), and (2) the provision of employment and living wages(through local recruitment, living wages, the right to

organize and the attention to vulnerable groups). Corporates like ABN Amro and Philips have been using these indicators for their CSR projects (Tudler, 2008).

Thus, recently, private firms have initiated strategies to ignite change in the lives of poor stakeholders through inclusive practices in education, economic empowerment, health, and community development (Mishra et al., 2001). Business entities normally use strategies like financial inclusion, subsidized supply of essential commodities, health insurance, micro-credit facilities, free education facilities, skill building trainings, creation of job opportunities etc. as essential steps towards inclusive growth (Manjit, 2013). There are two key models in this approach: **Direct and Indirect models**. Some business firms strive to achieve the goals of CSR through indirect partnership with government and other NGOs (Mishra et al., 2001). Such models are often managed through funding of selected projects without directly involving in the inclusive development related activities. For example, The Bill and Melinda Gates Foundation funds a large number of NGOs across the world to manage inclusive development without directly involving in management of such activities. This is an indirect model. In the second model, business organizations directly intervene in the activities that lead to inclusive growth and development. In this model, the CSR team coordinates and monitors the entire activities directly (Hansindia, 2016). The corporate entities form separate trusts or foundations and select a particular location for implementing the inclusive development activities. Tata Group is a classic example. Tata Trust works in many parts of the country and implements direct programmes with regard to poverty eradication, skill building, reduction in urban migration and provision of health care facilities (TATA, 2017). Another interesting contribution in terms of inclusive development was provided by ITC Group. The E-Chaupal introduced by ITC is a unique initiative to directly connect the poor farmers with the market. The 'IT-enabled' supply chain system facilitates the farmers with technology, storage and market access. This is an innovative model to uplift the marginalised and poorest farmers who were hitherto denied access to market, technology and were largely controlled by the bargaining power of the middlemen. The building up of a sustainable and farmer-centric supply chain in rural India has substantially reduced the dependence on exploitative middlemen and increased the profit margin of the rural farmers (Panda, 2011). There are many other examples that highlight the active role of the public sector in initiating development practices that ignite positive transformation among a large number of people. This increasing partnership between the private sector and public interest has profoundly influenced government agencies as well. In many states, there are several social and rural projects that are jointly funded and managed by the state government and corporate entities. However, the success of CSR in inclusive development depends on many factors. Since the very logic of the existence of CSR necessitates its active role in community development through inclusion, it needs the active support and engagement of the community in which it is working. In government-funded programmes, participation and stakeholder engagement can be attained through the intervention of local government institutions and political representatives. However, this cannot be guaranteed in the case of private corporates. Often people may perceive the intention with suspicion. Therefore, building trust and cooperation among the beneficiaries is critically important in CSR-enabled inclusive development (Ismail, 2009). Authors argue that the role of CSR in development can be attained through reducing the negative consequences of industrialisation, fostering the ties between corporations and community, helping the community to get access to infrastructure and technology and finally reducing the environmental impact of the business over the community in which it locates (Ismail, 2009). Using good business practices is another method through which companies can reduce poverty through CSR effectively (Blowfield, 2005). Further, the power relationship between the corporate and consumers, employees and community can be used for development goals. However, companies need to perceive their strategies critically and make them less business-like and more community-oriented. Most of the companies still view CSR as a strategic initiative to win the support of consumers rather than their genuine contribution to society (Blowfield, 2005). This approach will not succeed in inclusive development.

CSR and Inclusive Development in India: Ambiguity and Challenges

In India, ever since the growth of CSR activities, companies began to show interest in inclusive development. Most of the corporates invest in health, education, infrastructure development and skill building in consultation with local communities. However, there are dearth of literature on the impact of such efforts in promoting inclusive development. In his study, Subhashish mentions that companies in India mainly focus on institutional mechanism, stakeholder engagement, knowledge management and capacity building(Ray, 2013). It was Manjit who studied the role of CSR in inclusive development in India with specific emphasis on financial inclusion activities (Manjit, 2013). But, the findings are not adequate to highlight the active role of CSR in inclusive development. Recent studies show that, corporates in India approximately spend INR 25,000 crore for CSR within the country. If it is utilised effectively, it would have changed the face of rural India. Further, it is estimated that around 75,000 jobs can be created if the mandatory CSR funds were distributed wisely(GN Bureau, 2015). On mapping the broad areas of intervention, it is find that health, education, women empowerment, water management and livelihood generation are the key areas in which CSR activities are concentrated(Mishra & Modi, 2013). However, the impact of these activities in promoting inclusive development is yet to be ascertained in measurable terms. There is ambiguity and lack of information on the actual impact of these programme. One of the pioneering empirical study on CSR and inclusive development was conducted Vastradmth. The author has conducted empirical study on selected companies in India and analysed their CSR strategies towards inclusive growth and development(Vastradmth, 2015). The study identified that many corporate still conduct their CSR through HR departments and few operate it through local NGOs. The study further noted that even though the companies claim about inclusive development, their projects are not directly linked with any of the MDGs. Education is the most important area of intervention followed by health and poverty eradication. Another interesting factor is the greater involvement and participation of stakeholders in all the activities. Many NGOs have effectively leveraged the benefit of public-private partnership in CSR. This was the only study that identified the impact of CSR on inclusive development. However, the impact is not measured using the response of the beneficiaries. It is calculated using the numbers provided by the companies(Vastradmth, 2015). In his study, Grover, has shortlisted some of the best companies in India with CSR activity record and measured their impact on lives. He has identified the key CSR activities as child welfare, education, micro-credit, slum improvement, women empowerment, skill building etc. However, the study has not come up with any concrete measurement on the impact of CSR on inclusive development. Rather, the effect is reflected in brand value and brand loyalty(Grover, 2014). In another study conducted in the context of Karnataka, Shetty analysed the role of CSR in inclusive development. Through empirical research of selected CSR activities of major companies, the research identified the emerging trends in CSR. The key initiatives include child welfare, women empowerment, slum improvement, health care and education. However, the study doesn't address the impact of these programs on the lives of people(Shetty, 2014). In short, it is evident that even though the role of CSR in inclusive development is very important there is not sufficient studies to substantiate the positive impact except few examples. Notwithstanding this limitation, one cannot undermine the role of private sector in inclusive development especially when the state is retreating from welfare commitments.

Conclusion

How can companies make concrete efforts and attain the goals of inclusive development? The report of the CII identifies the core pillars that are required for success of CSR implementation for inclusive development in India. These are: Stakeholder engagement, effective partnership, risk management, corporate governance and responsibility to society(CII, 2014). **Stakeholder engagement** implies frequent communication and long term partnership with all the stakeholders including employees, community,

NGOs, suppliers etc. **Effective partnership** and information sharing with government, NGOs, community and local government authorities help the companies to reduce mistrust and operational difficulties while implementing the program. Anticipating the probability of risks and effective management of **risk mitigation** with the help of stakeholders and partnership makes the program sustainable. A transparent, ethical and value based **corporate governance system** is very important to gain trust and social capital from society and government. Finally **responsibility to society** in which the business operate is very important in CSR success. The business should be conducted in a responsible manner without affecting the environment and community (CII, 2014).

In short, we can conclude that, in this contemporary era of liberalisation and retreat of 'developmental state', CSR plays a vital role in promoting inclusive development because private sector investment in social policies can bridge the gap in mainstreaming the empowerment of the poor as a key priority. If the fundamental aspects of MDGs and genuine commitment towards the upliftment of the poor are imbibed within the corporate culture and inclusive development programmes of the company, there is better chances for success of CSR efforts. CSR is meaningful in inclusive development only when the business entity perceives its core activity in terms of all stakeholders including the community

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