



RESEARCH ARTICLE

INCLUSIVE GROWTH AND CORPORATE SOCIAL RESPONSIBILITY -A STUDY IN INDIA

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ARTICLE INFO

Article History:

Received 23rd January, 2016
Received in revised form
14th February, 2016
Accepted 16th March, 2016
Published online 26th April, 2016

Key words:

Inclusive Growth,
Corporate Social Responsibility, and
Economic Growth.

ABSTRACT

The research study explored that Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors and CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms objectives are to analyze the challenges and prospects of Inclusive growth of Indian economy and to Study the Corporate Social Responsibility of Domestic corporation in India. Finding of the study is Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity. a) 2% of the average net profits, (b) Any income arising therefrom, (c) Surplus arising out of . CSR activities. vii. In case the company fails to expend 2% of its Net Profits on CSR.

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Citation: **Dr. Anjan Kumar, M.J. 2016.** "Inclusive growth and corporate social responsibility -a study in India", *International Journal of Current Research*, 8, (04), 29960-29962.

INTRODUCTION

The inclusive growth implies a direct link between the macro and micro determinants of growth. The micro dimension captures the importance of structural transformation for economic diversification and competition, including creative destruction of jobs and firms. Inclusive growth refers both to the pace and pattern of growth, which are considered interlinked, and therefore in need to be addressed together. Corporate social responsibility is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." The aim is to increase long-term profits through positive public relations, high ethical standards to reduce business and legal risk, and shareholder trust by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

Objectives

- To analyze the challenges and prospects of Inclusive growth of Indian economy.
- To Study the Corporate Social Responsibility of Domestic corporation in India.

Review of Literature

Gahlot Sushmita *et al* (2013) in their research article stressed that, the guiding principles laid down by the Draft Corporate Social Responsibility Rules (prepared by the Ministry of Corporate Affairs) and analyses the industry's reaction to the mandate. Also discussed are the steps that the society can take to maximize the benefit from the company's expenditure.

Richa Gautam and Anju Singh (2010) in their study found that the CSR is now presented as a comprehensive business strategy, arising mainly from performance considerations and stakeholder pressure. Companies consider their interaction with stakeholders and impact of its business on society as significant issues. CSR policies vary with turnover and profit.

Aruna Das Gupta, (2005) in their research paper attempts at charting out a road-map for signifying the importance of Corporate Social Responsibility (CSR) as a whole and in its attempts of doing so, the paper underlines the role of corporate giants operating in India by citing examples of different Indian Business Houses for providing a guidance to achieve a sacro-

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civic society where the under- pinning lies in promoting overall human development.

Mahabir Narwal, (2007) in his study findings suggest that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities. The Indian banking industry is found to be adopting an integrated approach by combining CSR with the ultimate customer satisfaction. Irrespective of location, the nature of CSR activities undertaken by banks is found to be similar.

MATERIALS AND METHODS

The present study is analytical and descriptive one, and based on secondary source such as Books, Journals, Magazines, Websites and other published source.

RESULTS AND DISCUSSION

Need for Inclusive Growth in India

Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity. Achieving inclusive growth is the biggest challenge in a country like India. In a democratic country like India, bringing 600 million people living in rural India into the mainstream is the biggest concern. The challenge is to take the levels of growth to all section of the society and to all parts of the country.

The following factors encouraged the India to concentrate more on inclusive growth

- India is the 7th largest country by area and 2nd by population. It is the 12th largest economy at market exchange rate and 4th largest by PPP. Yet, India is far away from the development of the neighborhood nation, i.e., China.
- The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and socialite qualities, and regional disparities etc. are the problems for the nation. Reducing of poverty and other disparities and raising of economic growth are the key objectives of the nation through inclusive growth.
- Political leadership in the country plays a vital role in the overall development of the country. But, the study has found that politicians in India have a very low level of scientific literacy.
- Studies estimated that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth.
- Although child labour has been banned by the law in India and there are stringent provisions to deter this inhuman practice. Still, many children in India are unaware of education as they lives are spoiled to labour work.
- Literacy levels have to rise to provide the skilled workforce required for higher growth.

- Economic reforms in the country are overwhelmed by out dated philosophies and allegations by the politicians and opposition parties in India.
- Achievement of 9% of GDP growth for country as a whole is one of the boosting factor which gives the importance to the Inclusive growth in India.
- Inclusiveness benchmarked against achievement of monitor able targets related to (i). Income & Poverty, (ii) education, (iii) health, (iv) women & children, (v) infrastructure, (vi) environment.
- Even at international level also, there is a concern about inequalities and exclusion and now they are also taking about inclusive approach for development.

V Challenges of Inclusive Growth in India

‘India’ is the new global buzzword. The economy growing at a phenomenal rate, combined with a flourishing democracy is making people sit up and take notice across the world. Yet, it is at cross-roads today. It is far from reaching its true potential. The country remains shackled in corruption, red tape, age old social barriers and a puzzling lack of transparency. Growth is not uniform across sectors; and large cross-sections of the populace remain outside its purview. Several social, political and economic factors need to be tackled for sustaining a high rate of growth, as well as to make this growth inclusive. Elimination of child labour, women empowerment, removal of caste barriers and an improvement in work culture are just a few of the things the Indian society needs to introspect on.

Corporate Social Responsibility Rules for Indian Companies

Reporting on CSR initiatives taken by the companies shall commence from Financial Year 2014-15. To clarify the government’s stance on such CSR and CSR reports Draft Corporate Social Responsibility Rules have been framed by the Ministry of Corporate Affairs. Major provisions of the Rules are as under 4 : i. 2% for 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. ii. ‘Net Profit’ refers to the net profit before tax as per books of accounts and is exclusive of profits arising from branches outside India. iii. As per the Draft, companies that fall under any of the following limits shall constitute a CSR committee: i. Net Worth of Rs. 500 Crores or more OR ii. Turnover of Rs. 1000 Crores or more OR, iii. Net Profit of Rs. 5 Crores or more. iv. The Board shall consult the CSR Committee on the CSR projects to be taken up by the company. Only after such consultation, the CSR policy shall be framed. v. Such policy shall be declared by the Board in its report and also on the company’s website. vi. The policy statement shall include: i. A list of projects and programmes that are to be undertaken along with necessary details such as area/ sector chosen, implementation timeline etc. ii. A statement to the effect that surplus arising out of the CSR activity will not be part of business profits of a company. iii. A statement 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. vii. In case the company fails to expend 2% of its Net Profits on CSR, an explanation is required to be given by the Board in the Board Report. Although the law does not stipulate penalties for non-compliance, companies are required to justify any shortcomings in this regard. viii. As per the Draft Rules, the Central Government plans on giving the liberty of spending now, according to a March report published in Forbes India magazine 7. Such influx of funds would multiply the existing reserves with NGOs, social businesses and others working with social issues. This would not only create a huge demand for fund managers in NGOs but would also require development of proper reporting mechanisms in order to trace the funds (given by companies to NGOs not setup by them). Ernst and Young, the audit and advisory company estimates that the law would cover about 3,000 companies in India and about \$2 billion of expenditures on CSR activities 8. This implies that the scope of Corporate Social Responsibility Consulting is bound to increase as the companies would now be required to spend structurally on social initiatives.

Conclusion

India seems to be improving its economic growth. The growth rate of GSDP in the last few years has been 7 to 8% per annum. However, the post-reform period witnessed increase in disparities across regions and social groups and between rural and urban areas. There is a need to have a broad based and inclusive growth to benefit all sections of the society. We have discussed challenges in most important elements of inclusive growth: agriculture, poverty and employment, social sector and, regional We have written earlier on the reasons for the need to achieve inclusive growth 8. There are strong social, economic and political reasons for achieving broader and inclusive growth. Socially, lack of inclusive growth leads to unrest among many people. There is also economic argument. Business houses all over the world are realizing their stake in the society and engaging in various social and environmental activities.

The need of the hour is to formulate effective strategic policies and adopt various instruments according to the company history, its content, peculiarity in relationship with its different stakeholders so that CSR can be best implemented towards its goals – sustained environmental, social and economic growth. the paper underlines the role of corporate giants operating in India by citing examples of different Indian Business Houses for providing a guidance to achieve a sacro-civic society where the under- pinning lies in promoting overall human development.

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