Linking Corporate Social Responsibility with Sustainable Development: New policies and emerging evidence from India

Introduction

India is one of emerging economies that is expected to play a major role in the coming years. The country is currently in the process of balancing its economic ambition with development that is sustainable and inclusive. This paper explores the linkage between Corporate Social Responsibility (CSR) and sustainable development in emerging economies like India. In 2010, the Indian Government had made CSR mandatory for more than 200 public sector undertakings (PSU), asking them to spend, on an average, 2% of their net profit on community development. This was followed by a National Voluntary Guidelines (NVG) regulations related to the responsibility of Indian business. The objective of these new regulations is to use market economy to contribute to community development. The paper looks at some of the issues that can be teased out at this early juncture of policy development and implementation; role of business in sustainable development, effectiveness of compulsory regulations in bringing SD and mechanisms required even if these new regulatory regime is to succeed. We analyze this effort by studying the policy documents and talking to managers responsible for implementing them. Based on information received and studied, four areas are identified that requires attention; engagement, institutional mechanisms, capacity building and knowledge management. We conclude by saying that using CSR to promote sustainable development can work in the long run if the policy could be further strengthened and future linkages identified and acted upon in time.

Research Objective

The objective of this paper is to explore whether and how Corporate Social responsibility (CSR) could contribute to the objectives of sustainable development (SD), in the context of an emerging economy like India in relation to the new regulations emerging in the field. The following research questions are asked
• What is the relation between CSR and sustainable development in the context of new CSR guidelines applicable for public sector companies?
• What are the key challenges in planning, implementing, monitoring and evaluating CSR projects?

Methodology

To answer the first question, we study two new policy documents: the CSR guidelines for public companies (PSU guidelines) and the National Voluntary Guidelines (NVG) that is applicable for all companies in India. To answer the second question, we analyze the interview results of one of the key stakeholders: managers responsible for CSR planning, implementation, monitoring and evaluation in public and private sectors. 50 managers were interviewed on the possible challenges in the area of CSR. Both questionnaire survey and semi structured interview were used depending on the choice and convenience of the respondents. The prevalent discourses of some of their organizations were also studied by looking at their annual sustainability reports and websites to understand the existing stance and relation with sustainable development.

Review of Literature

Sustainable Development has been defined as meeting the needs of the present generation without sacrificing the needs of the future ones (Bruntland, 1987). This would require using resources with care and at the same time ensuring equitable distribution of goods and services among the current generation and across generations. The Millenium Development Goals (MDG) are seen to address issues that could bring in a global equitable development for now and in the future. The goals identify the key challenges to sustainable development: poverty, education, women empowerment, health, and environmental sustainability. Though it is doubtful whether India can reach any of these goals by the target date of 2015, their existence points to the immediate to-do list for governments, businesses and civil society members. The call for

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sustainable development has been reinforced and the role of the economy and ecology acknowledged with the concept of ‘green economy’\(^3\). It is in this economic context the role of businesses become central to the question of achieving SD. We could see a few broad approaches here. First, taxing businesses for their contribution to global warming e.g. the Carbon tax imposed in Australia\(^4\). Second, an incentive scheme to promote green business likes the Clean Development Mechanism. A third approach, that follows some of the European countries, can now be seen in India- companies are asked to contribute a percentage of their profits towards community development. In all the cases, businesses are asked to share their earning to promote environmental sustainability and hence SD in the long run. The key differences between the first and third (Indian) approach is the degree of localization of the development effort as well as the issue of capacity building among corporations. These have been discussed in detail later in this paper.

There are many definitions of CSR. For the purpose of this paper, we consider the one given by the EU, one of the pioneers of the concept: “a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”.\(^5\) Literature on CSR spans different definitional constructs, philosophy, marketing impacts, communication aspects, implementation issues, ethics, reporting, policy making as well as industry and country specific writings on these themes. Since this paper focuses on CSR policy and regulations and sustainable development, we looked at CSR policy based research done globally as well as relevant CSR research done in/on India.

Governments in developed economies (UK, EU) and those in developing (India) ones are now looking at integrating CSR in line with broader governance objectives. CSR is seen to legitimize its overall regulation process as well as public policy framework. Integrating CSR into a new public policy framework by bringing in external networks like organizations has created both flexibility and uncertainty. The uncertainty can be related to the nature of CSR, commitment of organizations and the dynamics of institutional interactions (Lepoutre, Dentchev and Heene,

2007). In the efforts of the state to regulate CSR, Steurer (2010) sees the politicization of management, identifying five types of instruments used by government: ‘legal, economic, informational, partnering and hybrid’ leading to four main consequences: increased awareness, transparency, socially responsible investment and exemplary social leadership. This in turn has influenced policy formulation in individual countries like France, raising important questions on policy alignment at the meso level (Delbard, 2008). In the Spanish context, the tension between compulsory regulations and voluntary guidelines was high. Cuesta, Marta and Carmen (2004) argue that the approach of complete reliance on self regulation has failed in Spain. UK has been one of the pioneers in Europe, setting up a ministerial department of CSR and thus institutionalizing the process of policy and regulation development. However, Deakin and Hobbs (2007) finds ‘managerial resistance to the linking of CSR with internal employee relations.’

On the whole one can see that the role of government has been changing in relation to CSR. The work of Albareda, Lozano, Tencati et al, (2008) has mapped the different drivers and responses in this area, taking the case of Italy, Norway and the UK. They note that while governments are similar in developing statements and partnerships, they differ, based on their cultural and political compulsions.

CSR with a specific emphasis on public sector is a relatively under researched area, more so in the context of developing countries. Developing countries have a different organizational and social context, raising issues which are more fundamental in nature e.g. corruption or money laundering. Looking at Africa, Dober and Halme (2009) conclude that issues like these first need to be brought within the ambit and purview of CSR, both in public and private sector organizations. Clements and Bowrey (2010) analyze the supply chain CSR disclosures for Australian public sector, noting the lack of an integrated approach in such reportings. Kovaliov and Streimikene (2008), studying CSR in Lithuanian public sector companies, see four roles of public sector in relation to CSR: defining standards, facilitating engagement, partnering and endorsing projects. Korner (2004) has looked at CSR policy making and governments arguing that from a governance perspective CSR policies lead to more sustainable solutions. In the context of developing countries, the NEITI Act in Nigeria, sheds light on the compulsory CSR required by extractive industries working in that country (…….)
Coming to India, Khan (2009) has studied the corporate social performance of Indian FMCG companies while Gugler and Shi (2009) looked at the developing economies as whole, linking CSR with global competitiveness. Ghosh and Chakraborty (2010) look at CSR as a developmental tool, citing the example of Tata Steel’s work in India. Gautam and Singh (2010) looked at top 500 Indian companies to study their CSR practices and found only 135 of them reporting their CSR and that ‘few companies have a structured and planned approach.’ Sangle (2010) looks at the critical success factors for CSR in Indian public sector, identifying the integration of CSR with other functional strategies as a crucial one. Ray (2012) looks at the challenges of CSR implementation in public sector and the issue of managing community expectation.

There is a gap in existing knowledge in linking CSR and sustainable development, particularly in developing countries. More particularly, there is scarce literature on whether making CSR delivery compulsory through public policy will led to better identification and delivery of developmental projects. CSR regulations are still new in the Asian perspective, and understanding their linkage in driving sustainable development could be important for policy makers and other stakeholders.

**Sustainable development- Indian perspectives**

India’s discourse on sustainable development has been marked by acute poverty as well as high inequality in distribution of goods and services. Fifty years back, the Prime Minister Indira Gandhi stressed (at the UN Conference on Human Environment, 1972) that poverty is inextricably linked to environmental issues in developing countries and one cannot be solved without solving the other. Since livelihood at the bottom of the pyramid depends on natural resources, improving natural resource management practices is key to poverty elimination and improving life conditions of the poor is central in improving environmental conditions. Hunger, malnutrition, access to common land and food security has to be addressed first. Market based economies often replace multi cropping land with single crops not only robbing soil of its vitality
but depriving the poor of their traditional source of nutrition. This also calls for strengthening existing institutional mechanisms of food delivery like the public distribution system and prevent leakage and wastage. Conventional economic development like large scale industrialization leads to loss of land as well as traditional occupation putting particular stress on women and children. For example, heavy industrial usage of water leads to ground water depletion causing scarcity of drinking water. The women, then, have to travel miles to get their drinking water and they would carry their children along with them for security, help and/or company. Thus lack of sustainable water usage policy in industrial belts creates pressure among vulnerable groups like women and children who miss out on their education. Without literacy and education, the future generation misses out on many development programmes and opportunities. It is important to understand the inter relation of these factors e.g. water, education and gender to ensure equity and justice to the marginalized. Providing drinking water is one of the common CSR activities taken up by Indian companies. It is likely to be a zero sum game unless companies look at the root cause of the scarcity and its relation to their operation.

Economic and social development in India has to come in the context of natural resource management and all policies need to show the linkage and primacy of environment for sustainable development. This would require recognition and mapping of all stakeholders involved in environmental management and ensuring their participation in policies related distribution of natural resource like water or minerals. Many indigenous communities of India still functions on the basis of the community or traditional rights- such rights have to be respected and equal access given to land and water.

Health continues to be one area of concern for India with high incidences of TB, Malaria, Cholera, Dengue and AIDS. Many of them like Cholera and Malaria are triggered by unhygienic conditions. CSR for public sector companies has a major focus on community health although not much evidence exists whether such interventions actually make a difference. (Ray, 2012). Consider AIDs. Industrial clusters are highly vulnerable and yet there is no integrated effort to spread awareness of the disease among target groups. One of the Tata group companies operating in the Indian state of Odisha, spends a large amount of money for the treatment of

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6 Around 200 million Indians do not have access to safe drinking water.
community members at different hospitals for treatments like dialysis. Managers in charge of such operations are not sure whether setting up a hospital itself would be a better idea and if giving free medical treatment can be possible in the long term. Similarly, another company donates mosquito nets to prevent malaria and does not think it necessary to make people aware of the cause of malaria and ways to reduce the growth of mosquitoes in the region. Policies in the area of SD and CSR have to focus on the interrelation among different factors that hinder community well being. Such linkage is possible only when different departments in the government can take an integrated approach in policy development. Health and environment provides the backdrop for revival of traditional medicinal systems prevalent in India and CSR policies can work toward that. Since such expertise is more localized, this will mean lesser time and cost involvement for the affected parties. CSR policy implementation needs to identify these gaps. One of the regional governments in India provides a State Treatment Fund for the marginalized people, particularly in remote locations. People in these localities can go to a multi-specialty referral hospital for medical treatment and can get the cost reimbursed by the district administration. However, members of indigenous communities living in remote villages get completely disoriented when they come to a big city and thus over a period of time very few people come forward to avail this facility. One possible CSR intervention here could be sponsoring small teams of volunteers at railway stations for such people- this would ensure better health for many poor people.

Education is seen as the key driver to bring in sustainable development in India. This includes literacy, primary and basic education as well as education on different aspects of sustainable development. Community education is required on practices that conserve resources. Education on local, low cost technology can harness existing potential. While India has made good progress on literacy and primary education and dropout rates have fallen, girl children are still not mainstreamed in education. There is still very low presence of green and alternative technologies in the curriculum of Indian engineering education and literally insignificant presence of sustainable development in the curricula of 3,500 plus Indian business schools\(^7\) churning out

\(^7\) Ethics, governance and CSR workshop at IIM Bangalore, 26\(^{th}\) march, 2012
around 3,53,000 managers every year.\(^8\) India’s technical and managerial workforces are thus unconnected to the ensuing debate of sustainable development which could be problematic in terms of stakeholder capacity building. Apart from poverty, India will need to focus on its rich heritage in indigenous culture, customs and technology. Sacred bushes and ponds, ethnic water harvesting systems, sowing and seeding techniques have to be revived and promoted. Many of these practices are unique to developing countries. They foster sustainability of local culture and counters the culture of consumerism and wasteful consumption. Conservation of resources have to be ensured through regulations as well as education and awareness campaigns. For example, wider use and availability of solar powered products would reduce the stress on non-renewable resources and can introduce such technologies to the poor through CSR.

**Financing sustainable development and policy implications**

“We cannot have a ecological movement designed to prevent violence against nature, unless the principle of non violence becomes central to the ethics of human culture” - Mahatma Gandhi

India needs to find ways for financing sustainable development. International development assistance has not matched the rhetoric of Rio Conference (1992) and economic uncertainty has further slowed down aid from developed countries. Clean Development Mechanism (CDM) has not lived up to its expectation as an alternative financing mechanism. Some cases show that CDM is perpetuating global warming instead of curbing it.\(^9\) It is probably this dilemma of SD financing and an increasing failure of governances that has led to formulation of a host of policies related to SD, Climate Change and CSR in the last 3-4 years in India. The new CSR policies are discussed in detail in the following section. However, whether private investment in sustainable community development can match development assistance both in matter and in spirit needs to be seen. It is not only the quantum of grant that matters but also how it is spent. Development professionals with their international experience can take advantage from the

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\(^8\) ‘Why the world still chases top B-school grads, The Hindu, August 7, 2012.
learning curve and can provide more targeted and efficient interventions compared to hundreds of corporations scattered across the country and working without any co-ordinate effort. A Bill and Melinda Gates Foundation can work better at AIDS prevention than a corporate CSR programme even if they spend similar amounts and manpower. Thus compulsory CSR expenditure has its own limitations. On the other hand assistance provided by European and American foundations often come with conditions. While there is a requirement of alternative and greener power sources, effort to switch to, for example, nuclear power with foreign assistance came under heavy criticism. It is in this context, the governments’ effort to engage corporate sector needs to be seen. Some of the leading foundations like Sir Dorabjee Tata Trust, which are working on areas of adolescent health, have agreed to the need of bringing in CSR resources and integrating with their efforts in remote areas. Financing may well hold the key the SD in India and combining and optimizing public private resources could be the way forward. Using mandatory CSR can thus be seen as an innovative way to finance development. Whether such developments could be termed or deemed as SD remains to be seen.

As we can see from the discussion above, that sustainable development priorities in India revolve around health, education and livelihood and financed primarily by government and development assistance funds. It is in this context we would look at the new CSR regulations, their linkage to sustainable development, funding of such projects and evidence based implications.

**New Regulations**

In 2011, there were 254 central public sector undertakings (CPSE) in India. They were regulated by the Department of Public Enterprises (DPE) under the Ministry of Corporate Affairs (MCA). Government initiative to formalize CSR in Indian public sector started in 2009 with the CSR voluntary guideline published by the Ministry of Corporate Affairs ([http://www.mca.gov.in/Ministry/latestnews/CSR_Voluntary_Guidelines_24dec2009.pdf accessed on 13.4.11](http://www.mca.gov.in/Ministry/latestnews/CSR_Voluntary_Guidelines_24dec2009.pdf)).

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11 Presentation by Amina Charania, CSR workshop, XIMB, India.4.8.12
The CSR voluntary guideline 2009

Publishing a set of voluntary guideline was the first step in integrating governance with business. The guideline stressed a few facts in its Preamble: a) Indian business has engaged in philanthropy for decade and CSR is not philanthropy, b) CSR is voluntary, c) CSR needs to be aligned to the business goals and d) CSR is necessary for both India’s global aspirations as well as its effort to achieve inclusive, domestic growth. The document indicates CSR’s perceived role in integrating economic and governance objectives.

The guidelines ask businesses to consult executives and formulate a CSR policy, aligned with its business strategy. The policy should cover, ‘care for all stakeholders, ethical functioning, respect for workers’ Rights and Welfare, respect for human rights, environment, activities for social and inclusive development’ (Ministry of Corporate affairs, 2009) The 13 page guideline has a half page note on implementation, covering points like project/activity identification, time bound quantifiable targets and monitoring. This lack of focus and details is perplexing. This lack of focus on evidence sensing mechanisms is also reflected in the other two policy documents studied in this paper. As our interviews show later, implementation issues create hurdles in ensuring the CSR expenses are indeed benefitting the community.

Companies have to allocate specific amount for their CSR and encourages evaluation, partnerships and knowledge dissemination. The guideline states that companies communicate non-compliance to its stakeholders if any and an experience based review will be taken up after a year. CSR reporting was still not prevalent in India with less than fifty percent of the top 500 companies (Gautam and Singh, 2010) reporting their performance. A study by the consulting firm Ernst and Young showed that ‘reporting on CSR is still very uncommon’ (BL4, 2010). CSR among top Indian companies focused on education (85%), health (67.5%) and rural development (57.5%). The nature of partnership in carrying out such programmes ranged from separate company owned foundations (55%) to leaving it in the hands of internal departments (33%). Experts having experience of India and Europe felt a distinct approach in the two regions when it came to CSR: Europe moving towards increasing government involvement in the form of regulations in the face of adverse macro environment (climate change, outsourcing and troubled economy) (Doucin, cited in BL 4) while India exhibited a corporate culture that is ‘CSR-reactive, unfocussed, ranking oriented and image driven’ (Soni, cited in BL4, 2010).
The government looked at CSR as a way to strengthen India’s efforts to make itself globally visible: “At a time when the Government is taking a leadership position on various global issues, I am sure that India INC. will be ready to walk step in step with the government…towards national development’ (Ministry of Corporate Affairs, 2009). Simultaneously, CSR was seen as an extension of the government in including a large section of the population who were not a part of the India growth story (ibid)

**Government guideline for CSR for Central Public Sector Enterprises, 2010**

In its circular dated 9th April, 2010, the Ministry of Heavy Industries and Public Enterprises released the ‘Guidelines on corporate social responsibility for central public sector enterprises’, seen as a continuation of its earlier CSR voluntary guideline. The content is divided into planning, implementation, ‘research, documentation, advocacy, promotion and development’, funding, baseline survey and monitoring. It links CSR with sustainable development and sustainable competitive advantage though it is not clear what the latter means.

The CSR guidelines considers sustainable development and triple bottom line based growth as the fundamental objective. The guideline states that CSR would address the problems of climate change, disaster management, and environmental degradation. It encourages generation of scientific evidence to strengthen future guideline through formation of an institutional structure (CSR hub), new governance architecture, and compulsory baseline surveys, periodic reporting in standardized formats and focusing on online reporting. It also provides a long, sample list of possible activities that could be taken up by individual organizations

The planning portion stresses the need for short, medium and long term CSR plan and the long term CSR plan be aligned with long term business plan. There is a focus to integrate existing project management skills inside organizations to better execute such jobs. The implementation section stresses on project based investment, timelines, supplier involvement and relation to Global Compact, a voluntary code of conduct first initiated by the United Nations. The responsibility of restoring ecological damage lies with the company and overall activities should be aligned with government policies and priorities. Disaster management with the help of public-private partnerships is seen as a part of CSR. Implementing agencies will be experts in their area (e.g. community based organizations, NGOs etc) and not any employees. This part of the guideline, addresses a common concern of executives that CSR is a random destination many
executives find themselves in. Environmental governance also finds a place in this CSR guideline.

The concept of a National CSR hub is mooted in the guidelines. The hub will act as a resource centre for CSR. The funding guidelines stated in the policy have long-term implications in CSR regulations:

**Fig. 1**

<table>
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<th>Type of CPSEs (based on previous year’s net profit)</th>
<th>Expenditure range for CSR in a financial year (% of profit)</th>
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<tr>
<td>i) less than Rs.1000 million $^{12}$</td>
<td>3-5%</td>
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<tr>
<td>ii) 1000 million to 5000 million</td>
<td>2-3% (subject to minimum three crores)</td>
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<tr>
<td>iii) 5000 million and above</td>
<td>0.5-2%</td>
</tr>
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</table>

(Source: Corporate Social Responsibility Guidelines for CPSEs, Department of Public Enterprises, 2010, [http://dpe.nic.in/newgl/glch1223.pdf](http://dpe.nic.in/newgl/glch1223.pdf))

To create quantifiable benchmarks, the policy insists on baseline surveys, ‘meticulous documentation’ and public communication as well as extensive evaluation. Overall the guideline is overarching and ambitious, trying to figure in all the paradigms influencing current debates on sustainability and corporate social responsibility.

**NVG**

This was followed by the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business’ (NVG) issued by the ministry of corporate affairs in July 2011. The NVG was applicable to all Indian businesses with a special section on micro, small and medium enterprises. Nine principles formed the core of the NVG: 1) Ethics, transparency and accountability, 2) safety and contribution to sustainability through business life cycle 3) well being of employees 4) responsibility towards the disadvantaged, vulnerable and marginalized 5) human rights 6) environmental responsibility 7) responsible lobbying 8) inclusive growth and equitable development 9) responsible engagement with customer and consumers. As we can see the NVG is more comprehensive than the earlier guidelines. Three guidelines in a span of one

$^{12}$ 1 $ = Rs. 55 in August, 2012
and half years shows the rapid efforts to structure and streamline the field of CSR and align it with broader governance goals of the government. For the purpose of this paper, we have limited ourselves to managerial reaction on the first two guidelines for public sector with no specific focus on NVG. It is in the scope of future research to see how NVG changes stakeholder perceptions.

The regulation field, in August 2012, was waiting for the much-discussed Companies Bill 2011 that was under consideration in the Parliament. There were provisions in the proposed bill to make CSR expenditure and reporting mandatory for all registered companies in India as well as the appointment of an independent director responsible for CSR. If passed, the Bill promised to change the CSR landscape of India.

**Views of Managers**

Managers interviewed for this paper came from shipping, power distribution, hydroelectric power generation and mining industries. Managers of four public sector companies were asked about three broad areas relevant to CSR: issues in planning, monitoring and evaluating CSR in their respective companies and areas. One has to remember that most public sectors in India are decentralized in operations. The head office draws broad guidelines (which more or less reflect the government guidelines) and regional offices or plants take decisions based on such guidelines. A mixed methodology (survey and interview) was adopted based on convenience and availability of managers. Most managers highlighted the fact that guidelines being relatively new, it will take time to sink in and be effective. It was found that all companies focused on education, health and livelihood. The findings are given below in brief:

**CSR planning:**

There was little participatory planning when it came to CSR projects. Most projects were selected ad hoc and often presented by dominant members of the community. No coherent plan or strategy was seen in implementing CSR. For example, a shipping company decided to work in
the coastal areas of India while a hydro power company worked mainly around its operations. When it comes to choosing the place for investment, companies work around their work sites if there is substantial disruption in the community life e.g. in mining. Otherwise, the beneficiary communities are determined randomly. For the power distribution company, the transmission lines across the country but do not have significant footprint at one single point. Hence they have more than 100 small projects of around the country. We could see one ‘unintended consequence’ of the new guidelines. Because of detailed monitoring and baseline requirement, many managers felt that it is easier to work on a single big project that would take up most of the budget. They felt this would reduce pressure from different stakeholders who now have prior knowledge of the CSR budget of companies. Two companies out of the four studied have decided to start colleges in their place of operation. All managers had a one to three year time horizon while they were planning.

CSR monitoring

The guideline mentions that CSR projects have to be monitored and monthly report of the top 5 projects sent to the CSR hub, a social science institute of repute. The ‘hub’ was seen as a central repository that would manage the knowledge created in implementing CSR across India. It was entrusted with training, documentation and reporting to the government. In practice we found that only one of the companies was sending the monthly reports. Formal monetary mechanisms were absent in most places. For the shipping company, the partnering NGOs were asked to send progress reports every three months and company officials visited the work sites every four months. CSR monitoring can happen when plans are made with output indicators and milestones. With non-existent planning, it was not surprising to see that monitoring was not a concern for most of the managers. Enforcing the guidelines and asking companies to send their monthly reports seem to be a possible way to raise monitoring performance. It is here the role of the ‘CSR hub’ will be important to study.

One of the existing monitoring mechanisms inside the companies involved sending reports of the ‘work in progress’ to the boards of the respective companies. Board meetings are held every quarter. The projects are discussed in the board meeting and comments and feedback, if any, sent back to respective departments. By the time they reached the concerned managers, the next
report would start to get prepared! Unless companies could speed up the communication, monitoring would lose its value.

CSR evaluation

The new government guidelines require companies to get their project evaluated by independent third party agencies. This often meant local universities. Without a baseline and output or impact indicators, the evaluation reports are mostly report of a visit by an expert. One manager felt that it is early to evaluate their projects in education. The mining company was involved in supplying drinking water to drought hit villages in the Indian state of Odisha. They felt projects like this do not require any evaluation.

Common themes

Many managers felt that with recruitment stopped in Indian public sector, there is not enough manpower to carry out the CSR work. We have seen in the hydropower company, for example, that many engineers when posted in the department of social welfare (in charge of CSR) considered that as a non significant job compared to their technical training. Others commented on the lack of credible NGOs in their region. With no guidelines\(^{13}\) in place, managers were often forced to use the existing NGOs inspite of their dubious records. While interviewing these managers we could not see any example of innovation in service conception and delivery that would result in sustainable change in the area of health, education and livelihood. On livelihood, there was little effort to create market linkages to sustain the new businesses.

Implication of finding

Together, these four companies were working at more than 120 locations\(^{14}\) in India with communities and NGOs in various areas like health, education and livelihood. Based on the interview findings, we could identify four broad areas that require immediate attention from

\(^{13}\) At the time of writing this paper, some of the companies were developing their own guidelines for selecting NGOs for their CSR work.

\(^{14}\) Note that the numbers are high because the power distribution company has relatively larger number of projects
various stakeholders: engagement, development of institutional mechanism, capacity building and knowledge management.

A. Engagement:

Two issues in engagement are relevant for CSR practitioners and policy makers:

i) government- company: right now the guidelines define the broad outlines and the CSR hub is the co-coordinating body to oversee the activities. The public sector has an annual appraisal done by the Department of Public Enterprise. 100 points (out of total 200) are assigned for non-financial activities and 5 points are assigned for CSR. These norms are not adequate to ensure that CSR activities are aligned to SD requirements in different regions. SD had another 5 points in the appraisal system. This will require co-ordination with local bureaucracy and regional governments. The current norms are silent on these aspects. Such co-ordination will make CSR management more complex and yet, they seem inevitable.

ii) company-community- there are no clear norms for company community engagement and how should managers go about identifying priority communities. As a result we are seeing wide disparity in the depth and breadth of CSR programmes.

B. Development of institutional mechanism:

Not enough institutional mechanisms exist for evidence sensing and governance of CSR in PSUs. As mentioned by many managers during the interview, there is a lack of manpower. Appointment of a ‘hub’ and sending quarterly reports to the board of directors may not be enough to strengthen the process of CSR delivery. By 2012, many PSUs (mainly the old and large ones) questioned the need for a ‘hub’ and what value it added to the governance architecture.

C) Capacity building
This emerged as an area of major concern. Most managers entrusted with CSR had little idea of what it entails and learnt on the job. Many, in the hydro electric power company, for example, considered CSR to be not reflective of their technical background. Concepts like sustainable development, climate change or renewable energy were not known to them and they did not think that these could be related to the CSR projects. This disconnect and lack of appreciation of the sustainability aspect could mean that CSR will fail to address the very issues that the Indian government wanted it to serve.

iv) Knowledge Management

Large PSUs did not know what is happening in CSR inside their own organizations. There is no collation of data\textsuperscript{15} in a manner that could benefit future projects. For example, while all companies carried out initiatives in health (clinics, awareness drives, support for surgery etc.) there was no single repository documenting these initiatives and distilling the learning from them. There was no single database in India, identifying the NGOs working in the country, their background and specialty. Often, companies were at a loss to identify NGOs in the communities. Unless the field experiences are documented and used for future planning, mandatory CSR expenditure will not gain from the learning curve.

Together these four themes point towards the challenges of developing an inclusive policy of CSR that could deliver sustainable development to Indian communities. While the new guidelines does manage to get companies finance their CSR, SD requires more evidence based work in India. The emerging Indian regulations are still weak on evidence generation as well as sensing mechanisms. Unless it could do so, by improving the four areas mentioned above, CSR would fail to deliver. Worse, by taking over the role of government in communities, it would create false expectations in the community and SD will have to wait for the moment.

**Limitation and Future research**

\textsuperscript{15} Some PSUs brought out a annual sustainability report
This paper limits itself primarily to the mandatory CSR guidelines issued by the Indian government for public sector companies. The issues and impact could be significantly different for the private sector particularly for small scale sector. Moreover, a larger sample size could have further validated the observations. CSR being a sensitive topic, many government employees did not agree to give a critical view of the guidelines. Out of the 200+ public sector, the attitude towards CSR varied widely, ranging from proactive to passive. Around 50 public sector companies were identified in the first phase for undergoing training on the new guidelines issued by the government. Even then, many of these 50 companies did not come forward in the first year (2011-12). A large percentage of our respondents are drawn from two companies which came forward for training. Considering, training to be an indicator of top management support for CSR and sustainable development, the views in this paper reflect the views of relatively proactive Indian public sectors.

**Conclusion**

Sustainable development for India will require a multi disciplinary approach, spanning departments and regions and considering a long term impact. By roping in non state players in the governance of sustainable development the Indian government has taken an important albeit controversial step. This will lead to development in pockets of industrial clusters. Such development, after overcoming initial procedural and implementation bottlenecks can actually rejuvenate livelihoods, and create prosperity only if there is concerted effort in planning, implementation and evaluation. The new policy, though a good start, lacks evidence based, bottom up approach for the moment. It is unclear how such developmental activities could be scaled up sustainably and made to leverage the various governmental policies in place without focus on engagement, institutional mechanisms, capacity development and knowledge management. India needs to build evidence sensing and participatory mechanisms as well as intra and extra organizational capacity building to make CSR more robust and useful in achieving its goal of sustainable development.
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