

Corporate Social Responsibility: a critical perspective from India

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In March 2001 Unilever's high profile Indian operation, was found to have dumped over 300 mt. of mercury outside its thermometer plant at Kodiakanal in South India. The manufacturing facility was almost exclusively catering to US markets, and represented but a drop in its over USD 2.0 billion annual turnover in India. Hindustan Lever, as the Indian operation is called, has for decades been the favorite destination for the elite from India's prestigious business schools, and makes huge investments in providing human and challenging environments for its professional staff. Why then did it fight tooth and nail to deny the mercury contamination only to be finally chastised by the community and government itself? As a contrast the Unilever website states, "We are committed to conducting our operations with integrity and with respect for the interests of our stakeholders..... We are also committed to making continuous improvements in the management of our environmental impacts and to working towards our longer- term goal of developing a sustainable business."

18 years earlier, in 1984 a chemical gas leaked from the Union Carbide plant in Bhopal, India. Often referred to as the worst industrial disaster in human history, on the horrific night of December 2nd and 3rd, more than 40 tons of the deadly gas methyl isocyanate escaped from the pesticide factory. Approximately half a million people were exposed to the gas and 20,000 have died to date as a result of their exposure. More than 120,000 people continue to suffer from severe health ailments related to the accident and contamination. In 2001, the US-based gigantic Dow Chemical purchased Union Carbide, thereby acquiring its assets and liabilities. However it has been steadfastly refusing to clean up the site, provide safe drinking water or compensate the victims, or even disclose the composition of the gas leak, Dow, like UCIL earlier, claims that it has no liability of the past. The Dow Chemical Company, with an annual sales of \$28 billion, says it is "committed to the principles of Sustainable Development, and its approximately 50,000 employees seek to balance economic, environmental and social responsibilities." |

Has anything changed?

What in effect has changed during the past two decades in India, the time span between the above examples? Undoubtedly on the one hand, the business operating environment has turned from one, which was openly hostile (The Coca Cola Company was asked to leave India in 1977) to being very warm and welcoming in India's new era of economic liberalization (India is now marketed as new global business destination). This though has not

reflected in any new responsible behavior on the side of the corporates themselves. In fact while some cases come to light, others remain hidden. For example multinational companies exploring new markets in India have been known to resist more stringent environmental legislation in India, which may be more at par with those in developed countries. Many international brands, marketing new materials such as plastics, food packaging or electronics do not bring along systems of waste minimization or management, which they readily incorporate into their western operations. Corporate Social Responsibility then does not seem to be a globally practiced work ethic.

New Terminology

On the other hand, during the same period, “Responsible Care,” “Corporate Social Responsibility (CSR)” and the UN based “Global Compact” are new terms to have found increasing international legitimacy as today’s way of doing business. But are they real? As corporates become more global and enter newer developing country markets, such as in India and China, these terms are widely used on websites, in corporate literature and in presentations, evidently to convince people that things have changed and that a new ethical global business practice is underway. However the nature of engagement on the ground leaves a lot to be desired.

For India and CSR In India, the market is the new ‘mantra.’ Globalization has brought in new players and alluring products into markets. The growing middle class, which has been bereft, of ‘goods’ in the past, is too happy consuming, to want to pay heed to what may lie underneath. American style, glass lined shopping malls teem with the newly rich. Plastic money has made hitherto inaccessible goods merely a signature away. It is a new ethos, expectant and eager, which draws in glitzy brands supported by nubile advertising. The dismal human condition of the rest of the country does not exist here, and the fact that over 25 % of the country does not have even a meal a day is a mere statistics. It is an engagement, which for many is an uncomfortable one, and a willingness to believe in corporate literature an easy ‘out’ of any possible guilt.

In such a context the picking seems to be easy for businesses with the ‘system’ available to be beaten for profit. Terms like ‘ethical behavior’ can put an uncomfortable hurdle in that path and for a powerful corporate bending rules, is not too difficult. Corporate philanthropy helps as well. NGOs are funded to carry out ‘community development’ work, and these too are advertised as part of the Cynically, such donations also obtain local tax rebates. But even though some people may benefit from such charity, it does not translate into changing the way business itself is done.

Can Corporate Social Responsibility truly be a reality in such a context? Or does it need other legal and institutional pushes which empower the citizenry to function adequately? Such provisions can include effective liability laws, information disclosure requirements, corporate accountability and an impartial implementation of various citizens’ rights through various bodies. Take the case of producer responsibility for waste management. Many countries in Europe, including Switzerland, Sweden, Germany etc, by

law need companies to collect used cars, television sets, computers, and batteries and to dispose them off. It is another matter that much of this is often collected and exported to the South! However these 'responsible' models work in the given legal and social milieu. The same companies however do not show such 'enlightened' behavior in India, and in fact often resist the setting up of such systems through their immense lobbying powers with governments.

It would be futile to expect CSR to work in such an environment. It can be argued that without such enabling conditions in a society, CSR cannot effectively work. It would need a functioning democracy that delivers not only in its intent but also in its institutions. When the balance of power in areas of civil liberties, environmental and social rights between industry, the citizens, and the state is equal then CSR could guide the larger role business has to play. Under such political conditions CSR, even when voluntary, puts a high degree of accountability onto the corporate entity. Shareholders would then accept that business goes beyond profits and dividends, into the manner in which these have been achieved. In another realm, where institutions meant to protect rights of society are not firmly in place and the power to influence processes is not vested enough in the citizenry, CSR could become out of place and misleading.

No doubt India is a democracy, one that is very successful at ensuring a peaceful transference of power through an electoral system every five years. Yet, the country faces gross social inequities of poverty and a new affluence for a few. Human, consumer and environmental rights are contested terrains, and corporate scandals are commonplace. Many environmental and social legislations have been enacted under its strongly democratic Constitution. However implementation is dismal and reflects the fact that Institutions responsible for this are weak and unaccountable to public pressure. In some areas, especially relating to marginalized sections like workers, there is also an inadequate legal focus. For example there is no comprehensive Occupational Safety and Health Act, nor are Information Right laws in place. Though India is party to several international environmental and labour conventions, many including International Labour Organization (ILO) and United Nations Environmental Program (UNEP) treaties have not been ratified. Corruption in high circles is regularly reported, but convictions are almost non-existent. In such a scenario, CSR then becomes a mere 'web site' declaration, with no pressure to deliver on the ground.

Forced or Voluntary?

CSR needs an enabling condition in society for it to be effective. That it can be merely an internalized ethic, may be a rather romantic notion. This line of reasoning of course takes away the voluntary nature of CSR. In such a case, the corporate is probably 'responsible' and even it is voluntarily so, there may be societal compulsions of survival at work. Corporate Social Responsibility is then not only a way of 'doing business,' rather it may have to be enforced through public pressure. That is similar to the manner in which historically environmental, consumer and labour organizations have effected changed i.e. through activism and people playing an assertive role. However,

a true CSR approach would entail that business embodies an internalized set of ethics, which go beyond profit maximization in a proactive manner even in societies where there is not enough 'demand' for this. This must be independent of the local operating conditions and be a 'character' of the business entity itself. The term 'responsibility' implies an internal work ethic as well as a practice in the everydayness of doing business. At a minimum level it needs an adherence to laws and a respect for environment in which the business operates, but must go beyond in locating itself into social values. Else CSR relegates to mere lip service. To take it out of its context and then try and promote it as a voluntary activity for corporates in less demanding environments could be unproductive. It is with this caution that developing countries need to adopt and believe in CSR principles. But this is not always so. A new initiative in India, CREP, or "The Corporate Responsibility for Environmental Protection" initiated by the Indian government recently this year in 2003, is a case in point. A guideline for a set of non-mandatory norms for 17 polluting industrial sectors has been set but there is no real pressure for implementation or internalization.

An ethical being which claims to respect the earth cannot have discontinuities in its practices. Ethical practices have to place in an integrity framework, and that implies at the very least a lack of multiple ways of 'being.' This can be no different for individuals as for companies. Mahatma Gandhi believed this strongly. According to him ethics were universally applicable to an individual, businesses of all sizes as well as to individuals in business. Though he acknowledged the right of business to make profits it had to give what was not needed back to the community. Like Andrew Carnegie, he too believed in the ideal of Trusteeship, where the spirit of community ownership was considered prime. All this implied an internally realized and practiced way of being, rather than something, which was forced from the outside, through societal laws. Yet what seems to be more effective today is a pressure to ensure an acceptable social code, which has to be complied with. This arena needs social pressures to be brought upon businesses to conform irrespective of their own beliefs.

New Possibilities

Of course the changing nature of business into new global forms can also be an opportunity of bringing on that level of accountability. Global brands are more vulnerable to public perceptions about their being 'good' simply because much more is at stake, both in terms of money that is invested in building such brands⁸ as well in the markets which they affect. Recent disclosures of pesticides in soft drinks of Pepsi and Coke by an Indian NGO plummeted their urban sales in merely a few days. It was revealing that no matter what the companies said to deny the reports, people simply did not believe them! If anything this was an indictment of generally how powerless people felt against the global force of such multinationals and at the first opportunity 'hit' back by stopping buying the products.

Conclusion:

CSR has a long way to travel. Today it operates in an environment, which is politically unfavorably balanced for the consumer, and corporates have a

larger say in how things are. Even though CSR relates to ethics in business, at this time it seems that this is more a socially and legally enforced practice. It does not as yet emerge from an internalized position of a respect of people, nature and the environment. It plays out not as a self-willed moral and ethical self-realized way of being of the kind Gandhi might have envisaged, but rather more as a practice which may have to socially and legally enforced from the outside, as acceptable behavior, which an activist organization like 'Greenpeace' may have to ensure.