

# Gandhian Thoughts: The Foundation Stone of Corporate Social Responsibility in India

## INTRODUCTION

India has a long, rich history of close business involvement in social causes for national development. Founders of many business houses in India were philanthropic and motivated towards developing the country's social, economic and political strength, particularly with regard to building opposition to colonial rule in the earlier years of the twentieth century. The spirit of philanthropy is deeply rooted in traditions that draw from the teachings of the vedas and the karma theory of the Bhagwad Gita.

The spirit of philanthropy deepened with the emergence of the trusteeship concept, developed by the father of the nation, Mahatma Gandhi. Gandhi had observed that, 'the art of amassing riches becomes a degrading and despicable act, if it is not accompanied by the noble art of how to spend the wealth usefully. Let's not the possession of wealth be synonymous with degradation, vice and profligacy.'

Gandhi's economic ideas were part of his general crusade against poverty and, exploitation against socio-economic injustice, and deteriorating moral standards. Gandhi was an economist of the masses. His approach was rooted in human dignity. His economic philosophy is a result of innumerable experiments, which he conducted in the course of his life. His pragmatic approach gave a new direction to the existing socio-economic problems in the process of protecting human dignity.

The fluid international conditions fraught with ideological tensions in the economic domain demanded a fresh approach to economic philosophy, with emphasis on the ideals of human rights like democracy, economic freedom, and social justice. Gandhism as a socio-economic philosophy suits not only to accomplish the higher ideals of democratic freedom and socialism but it was also thoroughly developed to meet the challenge of national and

## ABSTRACT

Globalization has become an increasingly controversial topic, and the growing popularity of CSR around the world has focused more attention on the basic assumption of CSR and its effects. The purpose of this literature is to broaden the boundaries of the debate on CSR in India and increase our understanding of its foundation & influence beyond the economic sphere. The winners and losers resulting from globalization are identified along with empirical evidence of its impact on key areas – organizational success, growth, equality, human welfare and government culture. The paper indicates that CSR is a controversial uneven process. This paper examines the values, benefits and facts that might or have laid the foundation of CSR in India.

international forces of communism and capitalism.

The core of Gandhian economic thought is the protection of the dignity of human as a person and not mere material prosperity. He aimed at the development, upliftment, and enrichment of human life rather than a higher standard of living with scant respect for human and social values. The fundamental ethical values dominated his economic ideas. He wanted to liberate the modern economic philosophy from the quagmire of materialism and bring it to a higher spiritual plane. Human actions were motivated by social objectives of the protection of human rights.

Gandhi is here relating corporate and private activity to core human values, which is related to the principle of "Trusteeship." An important component of Indian political and associational life, trusteeship relates to the inherent responsibility of business, government, and indeed all those in a position of power, to *all* stakeholders within a community, regardless of social status or level of influence. The principle of trusteeship was stated before the private sector at the Fourth Annual Session of the Federation of Indian Chambers of Commerce and Industry (FICCI) by Gandhi in 1931;

"I cannot forget the services rendered by the commercial class, but I want you to make Congress your own and we would willingly surrender the reins to you. The work can be better done by you. But if you decide to assume the reins, you can do so only on one condition. You should regard yourselves as trustees and servants of the poor. Your commerce must be regulated for the benefit of the toiling millions."

As early as 1965, a seminar on the Social Responsibilities of Business was held in New Delhi, chaired by the prime minister and attended by policy-makers, business leaders, academics and trade unionists. The seminar declared that an enterprise is a corporate citizen. The Declaration of 1965 called for regular stakeholder dialogue, social accountability, openness and transparency, social audits and corporate governance. Employers were urged to contribute to housing, healthcare, education and family planning for employees and their families, as well as support the general community in the areas where their operations were located.

Gandhi's efforts towards "spiritualizing economics" are truly reflected in his concept of trusteeship. He based his doctrine of trusteeship

on the first sloka of Upanisad, according to which one is asked to dedicate everything to God and then use it only to the required extent. The principal condition laid down in it is that one must not covet what belongs to others. In other words, in the first instance, everything must be surrendered to God and then out of it one may use only that which is necessary for the service of God's creation, according to one's strict needs. This makes it clear beyond doubt that it is not in industrial and business sectors only that the doctrine of trusteeship is to be made applicable. The spirit of this doctrine is detachment and service. Unless these two virtues are inculcated, it is impossible to obey the command "covet not anybody's riches." Therefore Gandhi's idea of trusteeship arose from his faith in the law of non-possession. It was founded on his religious belief that everything belonged to God and was from God. Therefore the bounties of the world were for His people, as a whole, not for any particular individual. When an individual had more than his respective portion, he became a trustee of that portion for God's people. God who is all-powerful has no need to store. He creates things afresh everyday. Therefore man should also live his life from day to day without trying to store things for future. If this principle was imbibed by people in general, it would have become legalized and trusteeship would have become a legalized institution. Gandhi wished it became a gift from India to the world (*Harijan*, 23 February 1947).

Mainly Gandhi suggested this doctrine as an answer to the economic inequalities of ownership and income—a kind of nonviolent way of resolving all social and economic conflicts, which grew out of inequalities and privileges of the present social order. Gandhi never ceased to believe in trusteeship in theory from the beginning or, at any rate, towards the later part of life, though the method was proving ineffective. He believed in the indispensability of nonviolence, non-cooperation and Satyagraha in converting the privileged classes into trustees. He even advocated violence as a last resort to dispossess property-owners of their wealth.

Therefore man's dignity, and not his material prosperity, is the centre of Gandhian economics. Gandhian economics aims at distribution of material prosperity keeping only human dignity in view. Thus it is dominated more by moral values than by economic ideas. According to Gandhi, trusteeship is the only ground on which he can work out an ideal combination of economics and morals.

The theory of trusteeship applies equally to both tangible and intangible property, "such as the muscular energy of the labourers and the talents of a Helen Keller" (K.G. Mashurwala, *Gandhi and Marx*, Navajivan Trust, Ahmedabad, 1951, p. 79). According to Gandhi, all property belongs to God and in his concept of trusteeship the trustees have no right to destroy that property deliberately and wantonly. Besides, trusteeship aims at the rising of the morale of the people by giving them a sense of security in the hands of the trustees. The trustees, in their turn, are beholden to creating an urge among the masses for a higher standard of life.

As man advances from a narrow sphere of personal satisfaction to the nobler concept of the welfare of all, he marches closer towards self-realization. The whole idea of possessing wealth only to guard it from being misused and to distribute it equitably aims at protecting human dignity. If it is possessed for any other objective, it is objectionable on moral grounds. Gandhi enjoins this moral obligation on the part of the trustees, as he is fully aware of the ills of capitalism, which widen the gap between the rich, and the poor.

The Gandhian theory of trusteeship departs significantly from Marxian economic philosophy too. If Marxism is the child of the Industrial Revolution, Gandhian theory can be understood only in the context of certain basic spiritual values of the Indian tradition. Marxian socialism aims at the destruction of the class called capitalists, whereas the Gandhian approach is not to destroy the institution, but to reform it. Gandhian socialism, being ethical, is different from Marxian" socialism. Man, to him, is an ethical being first and a social being later.

The most significant difference between Marxian socialism and Gandhian socialism lies in the method they recommend to achieve it. Whereas Marxian socialism harps on violence, Gandhian socialism aims at a change of heart on the part of the rich. There is no place for violence, but only trust. The common man trusts his trustee and the latter plays the role of a custodian. Thus Gandhian socialism radically departs from both capitalism and socialism; it is trusteeship socialism. Though this kind of socialism is difficult to achieve, Gandhi advocated it as he believed in the basic strength of the goodness of man and the value of morals. All other "isms" address the problem superficially, whereas trusteeship strikes it at the root.

Gandhi wanted Zamindars to act as trustees of their lands and allow them to be used by tenants. This idea was based mainly upon the fact that India is an agricultural country where more than 80 percent of the population lives in villages. By providing them trust land, Gandhi was solving one of the major economic problems of an independent India to be. In the socialist collective agricultural system, we find the same idea implemented. The success of this system in certain countries shows that the concept is not impracticable at all. The failure of this system is often attributed to the will of the people. But a more sound reason seems to be the force that was being applied while putting this system into practice.

At the centre of this concept is the urge to protect human dignity. They are, broadly speaking, the demands or desires of the modern man. The revolutions that are raised from time to time in different countries are motivated by the same objectives of human dignity, justice, and equity. It is very clear that the idea is relevant today as it aims at the social, economic, and political changes in the world. One of the first steps to achieve this human dignity, justice, and equity is to eliminate the ever-present troublesome element of class struggle in the society. Though the Gandhian concept of trusteeship does not seek to destroy any particular class, it provides us with an idea of how to narrow the class gap. The practice of all the democratic nations has been to reduce the gap between the rich and the poor to a minimum. In India we find this motive behind our cooperative policies, the community development projects, and the taxation policy that heavily taxes the upper class and gives some relief to the lower strata of society. We find the manifestations of the Gandhian concept of trusteeship in these policies.

## GANDHIAN TRUSTEESHIP: A CONCRETE OVERVIEW

In concrete form, the trusteeship formula reads as follows:

- (i) Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance to reform itself. It is based on the faith that human nature is never beyond redemption.

- (ii) It does not exclude legislation of the ownership and use of wealth.
- (iii) It does not recognise any right of private ownership of property except so far as it may be permitted by society for its own welfare.
- (iv) Thus under state regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction in disregard to the interests of society.
- (v) Just as it is proposed to give a decent minimum living wage, a limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time, so much so that the tendency would be towards the obliteration of the difference.
- (vi) Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal greed.

Gandhi ji not only spoke and wrote about his philosophy but also followed them to the last word. It is known as Gandhian philosophy. Albert Einstein, another great thinker wrote about Gandhi ji "generations to come will scarce believe that such one as this ever in flesh and blood walked upon this earth". Some of the philosophical concepts of Gandhi ji are –

1. **Moral conscience:** According to Gandhi ji the moral conscience should be the inner guide to any actions of man. Gandhi ji exhorted the non-violence and truth to be the basics of any human being and essence of the morality.
2. **Non-violence:** Gandhi Ji charted a new way of achieving all goals in life by non-violence. He received teachings of Gautam Budha.
3. **Greatest good for all:** Gandhiji believed in motto that any decision should give maximum happiness to maximum number of people. Even an attempt in the direction will be a matter of satisfaction.
4. **Servodaya principle:** Gandhiji philosophy of wealth management was based on servodaya principle and trusteeship. Gandhiji was of the firm view that capital and labour should supplement each other. There should be a family atmosphere and harmony in work place.

**5. Philosophy of trusteeship:** Each industrialist should consider himself to be a trustee of the wealth that he possesses. The businessman is only a custodian for the purpose of business. The wealth belongs to the society and should be used for the greatest good of all. The trusteeship should also be extended to the labour of the industry.

**6. Labour as partner:** Gandhiji advocated labour to be organized and united. Gandhiji wanted the labour to be trained to develop moral and spiritual values. Gandhiji believed in workers pride in their own strength, and face the exploitation of management.

7. Ethical principles to be followed by labour in the process of resolving disputes between management and labour are –

- (a) Workers should seek redressal of reasonable demand only through collective action.
- (b) If they have to organize a strike, trade unions should seek by ballot authority from all workers to do so, remain peaceful and use non-violent methods.
- (c) Workers should avoid strikes as far as possible in the industries of essential services
- (d) Workers should avoid formation of unions in philanthropical organizations.
- (e) Strikes should be resorted to only as a last resort after all other legitimate measures have failed.
- (f) As far as possible, workers should take recourse to voluntary arbitration where direct settlement has not succeeded.

**8. Ends and means:** Gandhiji firmly believe that the goals of any decision be ethical and at the same time the means for achieving the set goals also be ethical. Ends and means both are equally important and are not to be separated. Achieving good results by foul or evil practices are not good results.

#### CORPORATE SOCIAL RESPONSIBILITY:

Historians of philanthropy have noted a transition in recent years. The change, however, is not indicative of a decline in philanthropic beliefs or practice in India, it merely indicates a

growth in acceptance and implementation of CSR principles. It is not unusual, therefore, to observe charity, philanthropy, CSR and corporate citizenship being practised within one organisation.

Private sector participation in development is being increasingly recognised as an economic necessity and an enlightened self-interest, and no longer just philanthropy. A strong industrial base can only be established if the aggregate demand of the population is enhanced, which means inducing more purchasing power amongst the masses. This could be done through generating employment and increasing people's income. Support and participation of the community is a critical factor for sustaining the economic growth of a country. In developed nations, while CSR activities can provide good quality products at reasonable prices, in developing countries, CSR also extends to nation building and contributing to socio-economic development. Developed countries do not face the same infrastructure problems, power failures, transportation bottlenecks or shortage of resources.

Indian CSR therefore not only stems from *causes* different from those influencing developed economies, but the *nature* of its activities are also different. While businesses in developed nations are operating in compliance with social and environmental laws, or for commercial interests, or in response to pressure for change, Indian companies are motivated towards corporate responsibility because of philanthropy and tradition, trusteeship, tax benefits and community development that will create more purchasing power in the long-term.

In the South Asian region where there are wide disparities between rich and poor, privileged and under-privileged, communities are themselves not homogenous and are rarely perceived as important as other stakeholders in business activity. Company interventions must reflect the nature of the community they are attempting to serve.

There is some dispute about those "most in need," as there is regarding the best practice a company can adopt to serve them. Poverty remains a key cause for concern. Action Aid, an international NGO working in many regions of the country, describes the poor in terms of the way in which they make a living. Rural landless labourers, marginal workers, workers in the unorganised sectors, urban slum dwellers and tribal

subsistence farmers all suffer from poverty, and are representative of the huge differences between disadvantage groups.

Therefore, corporate responsibility must learn to tailor the delivery of assistance to the target group. Relations between business and community are symbiotic; the company employs local people, and in return is seen to have a responsibility for their welfare. Aside from philanthropy, issues central to CSR in India and elsewhere include the treatment of the environment, the compensation for any loss of land and livelihood as a result of the company's business practice or establishment, as well as the need to address more general causes of poverty and deprivation. Companies cannot exist as "Islands of wealth in a sea of poverty." Indeed, illiteracy, unemployment and poor health will all, ultimately, affect the success of the business.

## BUSINESS-COMMUNITY RELATIONS AT PRESENT

The researches reveals that approximately in half of Indian businesses CSR initiatives are undertaken directly by the company, the other half being executed through a trust or foundation. This phenomenon is unique to India. The question however remains as to – why are trusts and foundations so popular in India?

Trusts and foundations were shown to be increasingly managed by independent bodies, often development specialists, which is a real benefit for the business and the community, because specialist management yields better results. It is also easier for the company to delegate in this way, because key staff do not have to learn new skills or spend time managing community projects whilst on the company books.

A more cynical perspective might be that implementing CSR projects through trusts or foundations is an easy way to gain respect as a responsible company whilst inputting minimum effort and resources.

The research showed that there is currently a wide range of initiatives being undertaken in India by companies, in their attempts to enhance business-community relations. These initiatives included giving financial support to communities, perhaps through sponsorship or charitable donation; giving other resources such as equipment, investing in a community over the long-term, perhaps in specific projects such as those in education and healthcare; as well as

some degree of employee volunteering and investment in training. Health and education are of the greatest concern.

In order to continue developing the practice of corporate responsibility in India, perhaps the most important step to be taken is the raising of awareness of the issues themselves. Increasing the discussion that takes place both within and between companies, as well as with and between external stakeholders and organisations, will lead to a clearer, more culturally relevant understanding of corporate responsibility. Alongside this broader aim should be the more specific ambition of companies actively pursuing 'responsible business practice. This might be through the initiation of volunteer schemes or through the establishment of partnerships with civil society groups, who can provide policy guidance and technical advice.

However, partnerships and responsible practice cannot simply spring from nowhere. Without incorporating social and environmental responsibility into business education, management staff will not be sufficiently motivated to adopt new forms of practice. When motivation is in abundance, technical knowledge is lacking as to the how's and why's of corporate responsibility, which might affect the policies undertaken and their success.

The NGOs and other civil society groups have a major role to play in promoting better and more responsible corporate behaviour. NGOs should not only act as corporate watchdogs, but as partners for the improvement of business-community relations. Indeed, the active pursuit of partnerships with business is one of the most important ways of improving the links between the two sectors of society. Civil society should not, however, only focus on businesses. There is a need to help communities demand more from the businesses operating on their doorsteps in terms of social and environmental responsibility. NGOs can give a voice to previously unheard complaints, sympathies or ideas. Mobilising communities to participate is a necessary part of their transition to becoming more important stakeholders. Similarly, civil society needs to work more closely with national and international level organisations to provide the impetus for more responsible business practice and the best framework in which this can happen. NGOs can also conduct research into existing and future business initiatives, in order

to better understanding the context within which we are working.

The corporate sector in India is largely aware of and sensitive to the issue of corporate responsibility. However, the overriding result from this report is that more discussion and awareness is needed if the corporate citizenship agenda is to really be successful and suitably adapted to the Indian context.

The issue of perception has been raised throughout the project, and in the concluding section to the report it is important to remember that a lack of knowledge or similar understanding of the language of corporate citizenship does not mean that the principles are not being practised. India's rich history of philanthropy is evidence of this. However, in the future, if the corporate sector is to expand or refine its business-community relations, more discussion must take place about corporate responsibility at all levels. Clarification of what is meant by corporate citizenship in India is fundamental to the promotion and improvement of business community relations.

Having said that, it would be wrong to brush aside the good work that is being undertaken by many businesses across the country. While there is not, as yet, a very formal approach to corporate citizenship by the business community in India at the moment, considerable work is being undertaken by businesses, often through their foundations or trusts, in a less formal manner. Indeed, a great deal of rural development, infrastructure-building activities as well as health and educational schemes is undertaken extensively by the corporate sector. Accountability to all stakeholders is a critical element of business performance and growth, yet as an issue it did not appear too much throughout the report.

**Adopting the Gandhian concept of trusteeship can change corporate behaviour:** Unfortunately neither civil society groups nor the corporate sector talk of the trusteeship concept. Globalization has come to stay and although we live in a borderless world, those who matter (like civil society groups) in protecting people and the planet earth, and those who increase shareholders profits are not talking to each other. The CEOs are talking among themselves in the corporate gatherings and the social activists talking to one another in their own gatherings will not promote CSR. Politicians and bureaucrats are happy that these groups not meeting and

talking to each other. The challenge is how to coalesce the three Fs — profits, people and the planet. India has a rich tradition of corporate working in philanthropy, and the pioneering work of the houses of Tatas, Mafatlals, Bajajs and Godrejs have to be acknowledged. Now these corporate stalwarts and others have to demonstrate CSR can be made to serve the needs of the people in the globalised and borderless world.

Conditions vary in different countries, and it is necessary for researchers and all those involved with promoting CSR to note that one single model developed in the West cannot be directly replicated elsewhere. Indian business, having grown through stages of colonial rule, the freedom struggle and the post independence era has led to an amalgamation of different approaches. Local, historical and socio-economic conditions establish the context for CSR and need a deeper understanding if corporate responsibility is to take hold and be culturally relevant in every country in which it is practised. There is great scope for increasing responsible business practice and improved business community relations in India. This can be done through business activity itself, including the development of procedures that ensure the best working environment for employees.

Adherence to national and international standards on the environment and the development of new strategies to reduce pollution, energy consumption and to improve efficiency are just as important. Businesses in India are doing well in the area of projects or work carried out through foundations or partnering NGOs, especially in education, health and infrastructure development. Projects for the future might extend activities beyond the small-scale to a more direct involvement of the business itself with the community, perhaps in the areas of microfinance and business education.

However, such work cannot be the responsibility of business alone and support is needed from governments, NGOs and local communities themselves to work together and agree upon where corporate responsibility should be heading and how it is going to get there. The research process has illustrated some of the different strategies undertaken by businesses across the country and it is hoped that this will provide others with the insight, motivation and knowledge needed for other businesses to

discover their own way of improving the lives of those around them and the environment in which we all live.

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