

# **CORPORATE SOCIAL RESPONSIBILITY IN ANCIENT INDIAN WISDOM: AN ANALYSIS**

By Kuhumita Laha<sup>37</sup>

## **INTRODUCTION:**

The concept of social responsibility among the business communities is a phenomenon that can be traced back to the ancient Chinese, Egyptians and Sumerians. As a matter of fact, it has been discovered that these societies delineated rules for commerce to smooth the progress of trade and ensure that the wider goal of public interest was valued during the course of business transactions (Dutta and Bothra 2009, p.248). Jesus taught that wealth encourages greed and selfishness and doesn't lead to true happiness (Christian Beliefs on Religion, Wealth and Poverty).

CSR is a western concept which finds its origin in 19th century. That was the time when the world had started discussing the topic of CSR. However, the essential features of it can be easily traced back to ancient religious texts also. One such example can be taken from Rig Veda. There is a particular verse (5-60.6), which says that affluent people in society should share their wealth with poor for social development. Although, we find no religious text ever using the word Corporate Social Responsibility or Corporation, the essence of this concept is very much ingrained in some of their verses. According to Christian theology, where “Man as Angel” could use business to serve a social purpose whereas “man as devil” could misuse corporate power and responsibility (Banerjee 2007, p.15).

Corporate Social Responsibility means to step ahead of charity and requires that a company or a group of entities take into full account its impact on all stakeholders and the environment while making corporate decisions. Manu Smriti also leads us to one of the most important principle which says that- “A person should never seek to earn or secure wealth through pursuits which are forbidden or illegal or immoral [IV-15]” (Jois 2002, p.18). We find that ancient texts like Manu Smriti talks in detail about the nature of work to be done by persons, including business organizations and states that whatever is good for society is also good for the company in long run.

---

<sup>37</sup> Research Scholar, West Bengal National University of Juridical Sciences, Kolkata

Manu Smriti also clears the dilemma that whether companies should involve themselves in CSR activities or not by stating in its text that: Some people declare that acquiring wealth alone will do well for any human society. There are others who declare that fulfillment of human desires and the acquirement of wealth is better and, after all individuals have to fulfill their desires and desires are never-ending. There are others who declare that *dharma* or righteous code of conduct is sufficient and, there are also others who say that acquisition of wealth alone is sufficient. But the correct one among them is the one who maintains the balance between earning wealth and the righteous code of conduct. Fulfillment of desires to earn wealth should be in conformation with *Dharma* and, wealth which contravenes *dharma* should be rejected [CH-II-224 and CH-IV-176] (Jois 2002, p.18). Therefore, as per the above text, Manu Smirti states that companies should ensure that they are not just thoughtful about profit but they should also take care of the means used to earn that profit. Wealth earned by violations of principle of *dharma* is not a good wealth and should be rejected. Thus, the above text signifies the importance of CSR in the working of any business organization.

We can also find consistent stress on the principle of CSR in Islam as well. In Quran and other Islamic texts we will not find the mention of the word like corporation or a corporate. Islam talks about responsibility in general and to be followed by every person following Islam including corporations. Islam lays down the code of ethics for business corporations and businesses peoples, Fair Trade, fulfilling covenants, and free competition are few important essentials to be followed by the corporations during business (Quran, 4:29). Below are few principles which deal with CSR in Islam-

*Zakah* (AL *Zakah*) is one of the five fundamental pillars of Islam, and its observance distinguishes true believers from mere nominal Muslims according to Quran (Quran, 2:43). According to the principle of *Zakah*, when a Muslim has enough to cover the essential needs for himself and his family over a year, he is in possession of the *Nisab* (Taman 2011, p.488). If he has assets more than what he is obliged to give, then he is obliged to pay *Zakah* on the excess. The importance that God has placed on *Zakah* in the Quran demonstrates how strongly Islam is associated with CSR. Even the corporations are also expected to pay *Zakah*. *Zakah* is due on the passage of every one lunar year. *Zakat* is obligatory after a time span of one lunar year passes with the money in the control of its owner. Then the owner needs to pay 2.5% (or 1/40) of the money as *Zakat* (A lunar year is approximately 355 days). *AL Zakah* is almost similar to the concept of the mandatory CSR contribution but the only difference is of guiding

force, for later the guiding force is of legal nature and for *AL Zakah* the guiding force is religious in nature.

If we go further, we also find that the CSR is also promoted by the concept of *Sadaqah*. According to Quran *Sadaqah* can be defined as small daily acts of charity. Allah encourages every Islamic follower to give *Sadaqah* and there is no amount fixed for *Sadaqah*. The money raised for *Al Zakah* and *Sadaqah* is used to feed poor, donate clothes and other activities. A large amount of money raised from *AL Zakah* is used to manage Madrasa which provide free education to millions of Students (Blanchard).

Moving to Hindu religious texts, if we refer to Vedic literatures, we find the notable mention of important terms like '*Sarva loka hitam*' which means 'well-being of stakeholders'. This shows the importance of stakeholders for any person including any artificial body like corporations.

Kautilya in Arthasastra also stated that happiness cannot be obtained by wealth and profit alone but only by doing things rightly and doing right things, i.e., *sukhasya mulam dharma* (Muniapan 2011). Kautilya also maintained that a leader (king) should have no self-interest, happiness and joy for himself. His satisfaction lies in the welfare (happiness) of his people. The same advice can also be found in *Shanti Parva* of the Mahabharata, wherein the public interest (welfare) is to be accorded precedence over the leader's interest (Muniapan 2008). So, if we look at business organisations as a leader or a king, then they are supposed to help others and should engage themselves in welfare of the society.

Muniapan and Dass in their study on Vedic CSR highlighted a similar development of CSR in the ancient India. Early conceptualisation of CSR was broadly based on religious virtues and values, such as honesty, love, truthfulness and trust (Muniapan 2011). Such values were found central in the golden rule constructed by Immanuel Kant's Categorical Imperative. It has also been argued that this golden rule can be applied to make companies accountable to stakeholders and society implicitly. This argument suggests that those who do not practice such values are deemed to be unethical (Muniapan 2011).

Thiruvalluvar in Tamil Nadu who wrote the Thirukkural around 2nd century B.C., dealt with the distinctiveness of socially accountable organizations. Thiruvalluvar says: the king who administers justice and protects his people will be considered of divine quality; He further says:

*In the modern context of business, we would like to see organizational leaders setting such examples for the societal and global well being. Such leadership actions will not only promote CSR but also GSR (Global Social Responsibility) or USR (University Social Responsibility).*

- Dr. Balakrishnan Muniapan

In nutshell, the Vedanta concept of “*dharma*” and “*karma*” provides an inside-out approach to CSR. According to old saying, one should save his wealth against future calamity and not to think “what fear has a rich man of calamity?” because when riches begin to forsake one even the accumulated stock dwindles away (Chanakya Niti-Sastra).

#### **CORPORATE SOCIAL RESPONSIBILITY IN 20<sup>TH</sup> CENTURY:**

Due to the removal of trade barriers and restrictions on foreign investment, last few decades have seen a huge growth of FDI, especially in the developing countries. We have witnessed a great change in the number of the Transnational Corporation since 1970. when there were only 7,000 transnational corporations (TNCs). By 1994 there were 37,000 TNCs with over 200,000 globally stretched affiliates (Dias 2011, p.495). Involvement of multinational companies in different countries added by the advances in technology and communication had also played an important role, in dramatically reducing the cost of investing in any part of world especially in developing countries which are known for cheap labor, easily available raw materials and other natural resources. Many business entities of other states try to exploit these conditions which are vital for flourishing their business. The companies often faces a dilemma regarding whether to maximize profits or take up social responsibility while making corporate decisions regarding production, distribution of services.

The increase in the number of TNC’s and their power posed a great challenge for the states and its peoples. It is also seen as a major threat to human rights causes. TNCs are sometimes more financially influential than national economies. Some notable examples are Royal Dutch/Shell Group Oil Company whose annual sale is close to twice more than New Zealand’s gross domestic product (‘GDP’). Similarly, annual sales of the British tobacco company, BAT Industries, are almost equivalent to the GDP of Hungary. The German electronics goods maker, Siemens AG, has annual sales that exceed the combined GDP of Chile, Costa Rica and

Ecuador. Another example can be General Motors and Mitsubishi whose annual sales is more than double the GDP of Hong Kong or Israel (Dias 2011, pp.496-497).

N. Eberstadt in his article, What history tells about Corporate Social Responsibility (1978) published in *Business and Society Review*, states that CSR had undergone various stages and he classifies its historical evolution into the classical (In this period businessman's positions in Greece was slightly above slaves), medieval (1000-1500 AD- churches branded profit motive as 'anti-Christian' and businessmen were expected to care for their guild members and for the well-being of the community. They also sponsored municipal improvements such as educate the poor etc), mercantile (1500-1800 AD - Calvinist doctrine advocated profit maximization as the key to business success but still Business which provided outstanding social services to the community were given special privileges in the form of bestowing upon them the status of corporations) , industrial (1800-1920 AD- Laissez Faire economists rejected the proposition that businesses are responsible for the social welfare. This period felt the domination of the economy by business due to significant power and vested in the industrialists due to their wealth. Capturing new colonies by the industrialists was nothing new in this period) and corporate (This period includes the present day companies which are perceived as institutions discharging social obligations in society) periods (Sheikh 1996).

During the period of 1920-1970 as observed by Hay and Gray, there were three historical phases between 1920-1970 in which, CSR saw its gradual development. The highlight of the phase one was sole aim of the business to maximize profits. This behavior ends up in 1920s. Phase two was the development of the concept of 'trusteeship management' which emerged in 1920s and 1930s. According to this, business corporation acknowledged by their actions that money is important for the business organization but so are people, satisfying needs of the society is better goal than just minting money (Sheikh 1996, p.8). The main attribute of Phase three was 'quality of life management'. According to this, economic objectives are not the sole objective of business organizations (Sheikh 1996, pp.11-12). The world started talking about the one per cent clubs in UK (1986) and US (1970) with a main aim to make a significant contribution to the local communities in which they operate (Sheikh 1996, p.43). The next decades (1980s) forced the business organization to be more socially responsible due to the economic recession., There was a thought shift in this period which states that the primary responsibility of any business organization is to ensure that they behave as a good corporate citizen and should not only care about the shareholders but also about the other stakeholders like employees, customers, suppliers, general public, environment etc. (Sheikh 1996, p.14).

In 20<sup>th</sup> century CSR has been seen as philanthropy, charity, and social-giving. But in late 20<sup>th</sup> century, the CSR concept was shaped in the form of a model to do sustainable business. Most companies had taken up topics of their respective interests and started investing in them. We also find a notable emphasis on elementary education in this period.

## CONCLUSION

The concepts of CSR have shown its significant presence in the old religious text of almost of all the religions. There are many occasions when the concept of CSR has been mentioned in those texts though in subtle or indirect manner. However, there is no where we can find that the words corporation, company, corporate social responsibility is explicitly mentioned. We find that the main development of the concept of CSR took place in 19<sup>th</sup> century and the concept gradually started to become consolidated and clearer. The philosophy driving CSR discourses from the 1950s onwards was an attempt to cultivate civic virtue in corporations. In the 1980s, the focus was more on CSR as obligation ('doing good to be good'). Later on, the concept started flourishing as a corporate strategy with the idea, 'doing good to do well' (Banerjee 2007, p.14). After 1990 we find that the concept of CSR took full shape as a business strategy and a mode of doing sustainable business.

Religious texts don't perceive CSR as an obligation or as a tool for business gain. CSR in India has gone beyond merely charity and donations. Today, it has become an integral part of the corporate strategy. Companies have specialized CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support those programmes. CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses, it is also very crucial to create goodwill, build trust, and further sustainable relationships with the community at large, without which sustainable development of the corporation is not possible.