



# **BUSINESS FOR SUSTAINABLE COMMUNITY DRIVEN DEVELOPMENT**

How Bala Vikasa Community Driven Development Approach  
Fosters Corporate Social Responsibility and Social Entrepreneurship

**Social Responsibility Series 1**



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## Acknowledgement

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Bala Vikasa is particularly grateful for the valuable contribution of Mrs. Bhuvaneshwari Ravi towards this document. As a management consultant and process facilitator with over 18 years of experience in the corporate and non-profit sector, her expertise in impactful CSR and Sustainability Reporting has fortified our Social Responsibility Series 1 with great depth and unique insights.



Bala Vikasa is grateful to *Foreign Affairs, Trade and Development Canada (FATD-Canada)* and to SOPAR for their financial contribution towards this publication.



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# Abbreviations

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ABCD	Asset Based Community Development
AI	Appreciative Inquiry
BITC	Business in the Community
CD	Community Development
CSR	Corporate Social Responsibility
CII	Confederation of Indian Industry
CPSE	Central Public Sector Enterprises
CED	Committee for Economic Development
CS	Corporate Sustainability
ESRTC	Entrepreneurship and Social Responsibility Training Center
FfDO	Food for Development Office
ITIs	Industrial Training Institutes
KPMG	Consultant firm
K-12 STEM	Science, Technology, Engineering, Mathematics
LC	Large Corporation
MNC	Multinational Corporation
MSMED	Micro, Small, Medium Enterprises
NGO	Non-Government Organization
NLP	Neuro Linguistic Programming
NSE	National Stock Exchange
NVG	National Voluntary Guidelines
P&G	Proctor & Gamble
PRA	Participatory Rural Appraisal
PwC	Consultant firm (Pricewaterhouse Cooper)
RBM	Result Based Management
SME	Small and Medium Enterprise
SEBI	Securities and Exchange Board of India
SST	Srinivasan Services Trust
TBL Approach	Triple-Bottom Line Approach: People, Planet, Profit
TERI	The Energy and Resources Institute
T2T	Transition to Teaching
WBCSD	World Business Council for Sustainable Development

This publication entitled “Business for Sustainable Community Driven Development” is the first issue of the new Bala Vikasa Social Responsibility Series (SRS). This new series marks Bala Vikasa’s foray into the CSR sector and the coming together of sustainable community development and CSR.

“Business for Sustainable Community Driven Development” explains the evolution of CSR; illustrates a few pertinent examples of CSR in India and internationally; briefly showcases CSR impact of SMEs and Social Enterprises. The issue also draws out lessons from Bala Vikasa’s expertise at the grassroots for more than three decades and from its intimate understanding of community driven development.

Corporate Social Responsibility (CSR) also known as corporate citizenship, corporate social accountability, corporate philanthropy, corporate ethics, and triple-bottom line is increasingly becoming an important lever of business sustainability. The various significant definitions of CSR are mapped here to bring about a deeper understanding of how CSR began and where it stands today. Through the years these definitions have shaped different dimensions of CSR, for businesses to understand and act upon.

On the one hand, Indian companies are at the threshold of deriving competitive advantage from CSR in the form of new partnerships with NGOs and communities and are also succeeding in introducing new products and services relevant for under-served markets. So CSR is ‘business-like’. While on the other hand, with environmental regulations getting stringent and the communities getting more aware, the ‘social license to operate’ is becoming a significant core in many industry sectors, making CSR a necessity. And adding to this journey is mandatory CSR.

The manner in which CSR will now be taken up by companies is turning out to be interesting, with great potential for NGOs, Social Enterprises and enterprising communities.

**The key messages presented in this document are:**

1. CSR is a process and not a project or program.
2. Philanthropic approach to CSR creates a ‘mendicant mentality’ in communities. Companies need learning and strategic processes to incorporate community driven development.

3. In every form of enterprise, whether small and medium, social or large in nature, there is potential to create positive social impact within and outside the enterprise.
4. CSR should not become a convenient process for stakeholders to fulfill their individual needs.

Bala Vikasa knows that within the evolving context of CSR, working with communities in a systematic manner will become the need of the hour. Therefore, its Entrepreneurship and Social Responsibility Training Centre (ESRTC) is positioned to provide training and facilitation services to companies and NGOs intending to do results-based CSR.

The ESRTC is a flagship institution being promoted by Bala Vikasa primarily to introduce its approach to community driven development and sustainable community development. Through the establishment of ESRTC, Bala Vikasa intends to build a platform for capacity building for corporates, SMEs, Social Enterprises and NGOs.

Under the CSR umbrella, Bala Vikasa hopes to see defining moments on the community development front. While companies execute community development initiatives, the move of mandatory CSR is going to bring the attention of key stakeholders to the manner in which it is being rolled out. The stage is set for innovation and lasting impact in the space of community development.

### **The key interventional opportunities for ESRTC are:**

1. Need for companies, large and SMEs alike, to deeply understand the community driven development approach—which requires a paradigm shift in thinking, practices and assessment:
  - Bala Vikasa Asset Based Community Development (ABCD) way provides an appropriate strategy for working with communities and giving strategic philanthropy efforts the right direction.
  - In this context, Bala Vikasa's 10 Development Rules and learning experiences need to be taken to companies as they experience a lack of information, knowledge, skills and practice of community driven development.
  - There is a learning gap for companies in terms of measuring their impact. Bala Vikasa's Results Based Management approach enables it to implement the right framework for output, outcomes and impact in community development. The emphasis is on not just doing activities, but achieving impact.

- Results Based Management (RBM) requires that in undertaking community development, NGOs and companies must look beyond activities and outputs to focus on actual results: the changes created.
2. Scope for NGOs, social enterprises and foundations to learn and imbibe the Community Driven Development approach to make sustainable community development possible:
- Bala Vikasa's long practice of working with communities provides a rich ground for establishing 'communities of practice' with other like-minded civil society organizations and companies.
  - An area that does not have standards and guidelines is working with communities. Bala Vikasa's 10 development rules and its first-hand experience will be extremely relevant for a whole range of companies, and NGOs alike.



# Concept of CSR: Definition, Trends and Opportunities

## 1

*"Each generation will reap what the former generation has sown."  
Chinese proverb*

### 1.1 The definition of Corporate Social Responsibility

Corporate Social Responsibility (CSR) also known as corporate citizenship, corporate social accountability, corporate philanthropy, corporate ethics, and triple-bottom line is increasingly becoming an important lever of business sustainability. The various significant definitions of CSR are mapped here to bring about a deeper understanding of how CSR began and where it stands today. Through the years these definitions have shaped different dimensions of CSR, for businesses to understand and act upon.

CSR has the dimensions of philanthropy, engagement with stakeholders to fulfil their needs, compliance, opportunities to minimize negative social and environmental impacts in business operations along with the potential to develop new products and the opportunity to serve underserved markets.

The 1950s saw the start of the modern era of CSR when it was more commonly known as SR or social responsibility. In 1953, Howard Bowen in his book, *Social*

*Responsibilities of the Businessman*, coined the phrase 'corporate social responsibility'. Bowen also provided a preliminary definition of CSR: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

In their book *Business and its Environment* (1966), Keith Davis and Robert Blomstrom defined social responsibility: "Social responsibility refers to a person's obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In doing so they look beyond their firm's narrow economic and technical interests."

Vogel captures in his article, *Is There a Market Case for Corporate Virtue: The Business Case for Corporate Social Responsibility*, the importance attached to corporate philanthropy as an expression of corporate citizenship during the 1960s and 1970s which is suggested by the emergence of a '5 per cent club', so

named because its members donated at least 5 per cent of their pre-tax earnings.

From a philanthropic dimension, social responsibility took a turn towards business responsibility in the form of generating profit, reducing negative impacts of operations and business ethics with Milton Friedman's views in the *New York Times Magazine*, 1970: "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

In 1971, Harold Johnson in his book *Business in Contemporary Society: Framework & Issues* defined social responsibility: "A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities and the nation."

In the same era, a landmark contribution came from the Committee for Economic Development (CED), which outlined a three concentric-circle definition of Social Responsibility:

- The inner circle includes the clear-cut responsibilities for the efficient execution of the economic function-products, jobs and economic growth;
- The intermediate circle encompasses responsibility to exercise this

economic function with a sensitive awareness of changing social values and priorities, for example, with respect to environmental conservation and

- The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment.

In 1979, Dr. Carroll identified four areas that make up a corporate social responsibility pyramid: legal, economic, ethical and discretionary and later redefined discretionary as philanthropic in 1991. These four kinds of social responsibilities represented in a pyramid constituted total CSR (Figure 1). Dr Carroll made it clear that business should not fulfil these in sequential fashion but that each is to be fulfilled at all times. In summary, "The CSR firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen." He also connected the 'social' in CSR with the 'stakeholder' concept popularized by R. Edward Freeman. The stakeholder nomenclature helps business put 'names and faces' to societal groups who are most important to the business and to whom it must be responsive.

According to Drucker, in his article, *The New Meaning of Corporate Social Responsibility* (1984), social responsibility is seen as necessary for companies to do because they make profits. It means, 'do good because you are doing well'.

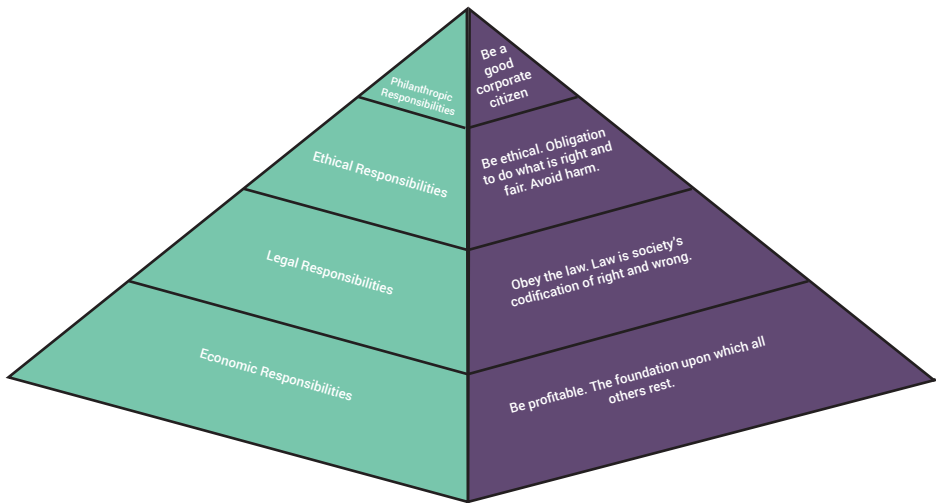


Figure 1: Carroll's CSR Pyramid

He draws attention to the opposite, *'do good in order to do well'*, that is to convert social needs and problems into profitable business opportunities. That is, *"the proper social responsibility of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth."*

*"He also adds that the organization's first responsibility must always be to its own mission regardless of other factors. The first 'social responsibility' of the business is to make a profit sufficient to cover its capital and operational costs in the future. In case the organization failed in its primary mission, there was no need for it and it would go out of existence. So if this basic 'social responsibility' of fulfilling the organization's purpose is not met, then no other 'social responsibility' can be met either."* In this context the second reference to 'social responsibility' are aspects outside the influence of the business and not ones

related to its direct operations. Such a connotation to social responsibility was motivated by the philanthropic essence popularly connected with CSR.

The World Business Council for Sustainable Development (WBCSD), in its publication *Making Good Business Sense* (January 2000) by Lord Holme and Richard Watts, used the following definition: *"Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life."*

Along the same lines, the definition by the World Bank Group is *"Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development."*

## 1.2 Redefining CSR: A Shift in Perspective

A shift in perspective draws attention towards companies making CSR strategic and builds the case for an equally strong focus on the manner in which CSR is executed to sustain the processes.

Even though CSR came into the limelight due to concerns about detrimental impacts of business operations, the question of whether the way CSR was being delivered was sustainable and whether it was adding to economic benefits, started the era of CSR as competitive advantage. The focus now is on how companies may use CSR practices to set themselves apart from their competitors.

While it is valuable for a company to engage in CSR for philanthropic reasons, the competitive business world in which companies operate requires that, in allocating resources to socially responsible initiatives, they consider their own business needs.

In 2006, Michael Porter and Mark Kramer defined the next generation CSR as creating shared value. The central premise behind creating shared value is that the competitiveness of a company and the health of the communities around it are mutually dependent.

Michael Porter and Mark Kramer in their article *Strategy and Society - The Link between Competitive Advantage and Corporate Social Responsibility* (2006)

articulated that there are four prevailing justifications for CSR: moral obligation, sustainability, license to operate, and reputation.

Doing good is the bottom-line while pursuing moral obligation. Sustainability implies environmental and community stewardship drawing from the definition offered by Norwegian Prime Minister Gro Harlem Brundtland in 1980 and used by the World Business Council for Sustainable Development: "*Meeting the needs of the present without compromising the ability of future generations to meet their own needs.*"

The justification for license to operate points to the need for tacit or explicit permission from governments and communities, while the justification around reputation links corporate and brand image to CSR.

However, as per Porter and Kramer, the prevailing approaches to CSR are disconnected from business as to obscure opportunities to companies to benefit from society. Hence the shared value approach integrates CSR and business strategy and identifies two linkages: inside-out and outside-in (Figure 2).

Inside-out linkages cover areas where the company impinges upon society through its operations in the normal course of business. Outside-in linkages are aspects in the external environment that affect the company. Using these linkages, companies can derive key focus areas of CSR.

Porter and Kramer recommend work with value-chain social impacts and social dimensions of competitive context as strategic CSR.

Generic Social Issues	Value Chain Social Impacts	Social Dimensions of Competitive Context
<p>Social issues that are not significantly impacted by the company's operations, nor materially influence its long term competitiveness</p>	<p>Social issues that are significantly impacted by the company's activities in the ordinary course of business</p>	<p>Social issues in the company's external environment that affect the underlying drivers of competitiveness in those places where the company operates</p>

Figure 2: Key Focus Areas of CSR, Source: *The Link between Competitive Advantage and Corporate Social Responsibility*, HBR, 2006

In 2009, an article titled *Making the Most of Corporate Social Responsibility* in McKinsey Quarterly, drew focus on how CSR is executed with a working definition of CSR by thinking of its dual objectives - benefiting society and business. The manner in which CSR programs are executed were classified as:

- Pursuing pet projects that reflected the personal interests of senior leaders,
- Philanthropy in the form of corporate donations,
- Propaganda to build corporate reputation and manage risk
- Partnering, to realise opportunities around creating shared value.

In 1998, WBSCSD established a working group charged with providing a better and shared understanding of what CSR means. The working group held several dialogues at a global level and 'recognised' the following headlines:

- CSR shows the human face of business. By their social contribution, companies show that they are committed to local 'community' development.
- Companies should say what they stand for and demonstrate it in actions.
- Different businesses in different sectors put emphasis on different aspects of CSR.

With CSR, a 'cookie-cutter' approach does not work. The evolving imprint of CSR makes it necessary for companies to define what it means and how to execute CSR specific to their context - a diligent approach to identify specific areas of focus. The importance of working with civil society partners cannot be undermined though.

### **1.3 Intersection of Sustainable Community Development and CSR**

CSR holds the potential to play a significant role in promoting both sustainable community development and business sustainability. However, much of the potential can be tapped when communities do not receive CSR as entitlement and companies do not deliver CSR at arm's length without a vision for building capacity within communities.

True development happens when communities begin to experience their inner potential and bring it out to create progress in their environments. They become equal partners along with other key stakeholders—including companies.

While CSR was evolving, it was largely synonymous with companies' engagement with communities. Mostly, the engagement resulted in philanthropic projects that delivered outputs in the short-term. Companies stacked up 'generations' of CSR projects with scant feedback on how communities truly developed with such projects. Such an

approach resembled the community development approach taken by NGOs in the 1950-60s, which was primarily 'do development to the community'.

With such a legacy of CSR, delivered on a 'needs-based' approach, it has made communities believe that to develop they need to be helped by outsiders. Essentially this approach is archaic and creates a "mendicant mentality" within communities. In other words, sustainable community development and CSR had little intersection.

Now as companies seek to take a structured approach to CSR, the first and most important step is to identify how to structure work with communities.

The missing piece in the way companies pursue community development is the strategy to pursue 'community driven development'. And such an approach promotes the intersection of sustainable community development and CSR.

In this context it is important to understand the widely used meaning of Community Development (CD) given by the United Nations: *"an organized effort of individuals in a community conducted in such a way to help solve community problems with minimum help from external organizations. External organizations include government and non-government organizations, and corporations of various types and sizes such as small and medium enterprises (SMEs) and multinational corporations (MNCs)."*

Drawing from the definition, the acid test for companies is - are the communities becoming self-reliant through the initiatives undertaken by them?

The good news is that with sustainability becoming an important parameter for business, companies are looking at sustainable approaches of community development as well. Transitioning from a 'giving' approach where companies become the main players in community development, they are seeking to become facilitators.

This is a perfect beginning for Community Driven Development using the Asset Based Community Development (ABCD) approach being implemented by Bala Vikasa in all its processes with communities.

'Asset-Based' refers to a positive 'community capacity-driven' approach which encourages community members

to make progress for themselves as opposed to a traditional 'needs-driven' approach which makes the community psychologically and physically dependent on outside help.

BV's approach to Community Driven Development has a synergistic combination of ABCD, Appreciative Inquiry (AI), Neuro-Linguistic Programming (NLP), Participatory Rural Appraisal (PRA) and Results Based Management (RBM). All of these proven approaches provide a powerful recipe for helping communities find their own answers along with them exercising leadership.

Bala Vikasa's 10 Development (Figure 3) Rules encompass a new message for CSR. It brings out the primacy of sustainable community development and is built on the 'inside-out' approach. Bala Vikasa's proven field experience over the last three decades has helped coin the 10 Development Rules, which Bala Vikasa is now juxtaposing with CSR.



Figure 3: Bala Vikasa's 10 Development Rules

The essence of Community Driven Development is captured here, in the context of CSR. The 10 Rules are built upon an Asset Based Community Development (ABCD) approach.<sup>1</sup> They are embedded in the Bala Vikasa motto of “Helping People to Help Themselves”.

1. **Development is people:** CSR in communities needs to put people first. By people first it means, put their potential and the unfolding of it first, not just put their needs first, which taps only the surface.
2. **Development is women:** CSR processes that empower women send out the message of balance in development, highlighting the need to have processes that nurture their potential too.
3. **Development is change of attitude:** Development is not just physical infrastructure. It is really about mind-set change, where communities look at themselves as a source of strength and not as ‘needy’ groups that require the benevolence of companies and other players in development. CSR is the means to facilitate the process of such an unfolding.
4. **Development is solidarity within the groups and the communities:** CSR is about facilitating and fostering linkages within members of communities. The linkages serve to establish processes to help each other. Therefore, CSR is not a series of independent projects delivered for different groups in the community. The aim is to achieve collaboration and collective impact.
5. **Development is iterative:** CSR is a process and not a project. All stakeholders need to be open to change and must embrace lessons to bring in course-correction as required. Such an approach fosters engagement.
6. **Development is participatory:** CSR is not hierarchical, where companies give and communities take. The communities also give and true development does not happen until the communities take charge of their own development.
7. **Development is intra-cultural:** CSR is not a ready-made blue print. It requires deeper understanding and respect for culture of communities.
8. **Development is long-term:** Short-term will produce outputs and not impact. CSR with communities needs to respect the time taken to truly create self-sufficiency. It cannot be done in a hurry.
9. **Development is not free:** Let communities also give. They have strengths and other assets, not just physical ones, which they can bring to development. Everybody is a stakeholder.
10. **Development builds on results and credibility:** CSR is not just feel-good. CSR needs to be focused on results, in other words impact, not just a series of activities. Only that will build credibility and eliminate the short-term giving approach.

<sup>1</sup> Bala Vikasa Sharing Series no. 4, March 2006, pp. pp. 2-4.



## 1.4 Current status of CSR in India

Indian companies are at a threshold where all approaches to CSR, namely, philanthropic, stakeholder-driven, operations-driven and business-strategy-driven, co-exist. CSR is now also mandatory, thus creating a paradigm shift in commitments and decision-making with respect to CSR programs.

The trusteeship dimension continues to be nurtured in long established industrial-dynasties such as Tata and Birla. In addition, public limited companies are responding to stakeholder-driven approach with strong emphasis on participatory approaches to identify and fulfil stakeholder needs. There are also Indian subsidiaries of multinational companies and companies that have an international partner that are definitely pursuing stakeholder-driven and operations-driven approaches and are also innovating in the space of shared value. Put together, Indian companies are gradually moving towards total or holistic CSR.

Corporate Social Responsibility in India has a legacy of philanthropy. Mahatma Gandhi introduced the notion of 'trusteeship', according to which the industry leaders had to manage their wealth so as to benefit the common man. Gandhi's influence put emphasis on various industrialists to act towards building the nation and its socio-economic development. Under his influence, businesses established trusts

for schools and colleges and also helped in setting up training and scientific institutions.

A second model of corporate responsibility emerged in India after Independence in 1947, when India moved into establishing large public sector and state-owned companies. The boundaries between the state and society were clearly defined for the state enterprises. Elements of corporate responsibility, especially those relating to community and worker relationships, were addressed in labor law and management principles. This state-sponsored corporate philosophy still operates in the numerous public sector companies.

In the last two decades, with the changing landscape of business, companies have begun addressing the social and environmental impacts arising out of their operations. With globalization, large and progressive companies have also begun adopting the principles of strategic CSR.

As per the creating shared value approach, Porter and Kramer suggest good citizenship and mitigating harm from value chain activities as responsive CSR (Figure 4). Many CSR programs in Indian companies fall under this umbrella. As the CSR journey within few companies mature, they are exploring strategic CSR. However, in the face of the change to the Companies Act, the choices made by companies are going to determine the character of CSR in the country.

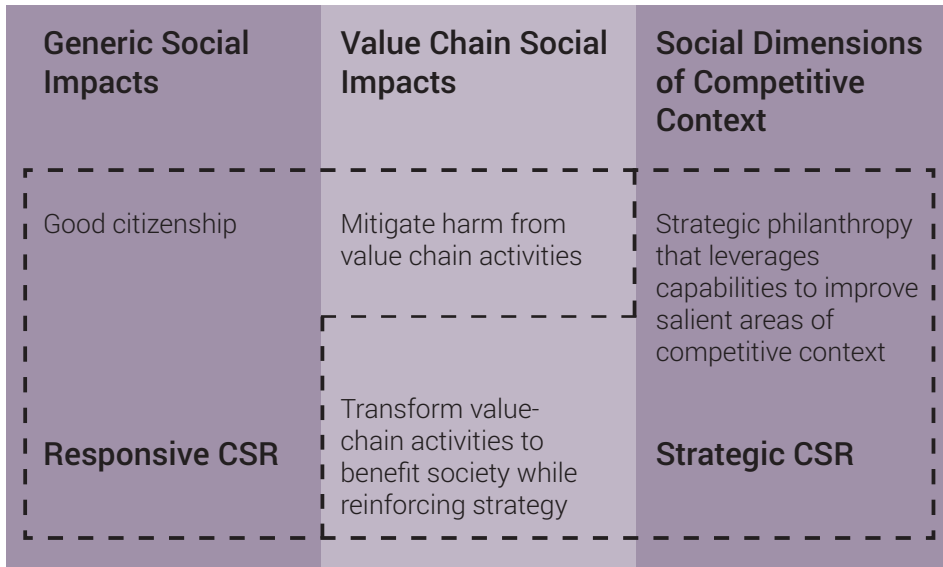


Figure 4

International legal instruments and guidelines are also driving CSR programs within companies. To name a few, SA 8000, UN Global Compact, UN Millennium Development goals, Sustainability Reporting are elements of CSR strategy in Indian companies who participate as key players in global supply chains.

A scan of the UN Global Compact database shows that there are 90 active Indian businesses that are following and reporting on their progress with the Compact principles.

### 1.5 Growth of CSR in India in the last decade

In a poll conducted by TERI in 2001 and reported in *Corporate Responsibility in India: A Snapshot*, in response to the question 'What role should companies play in society?', a majority of the general

public felt that companies should be held fully responsible for roles over which they have direct control. These include providing good products and cheaper prices, ensuring that operations are environmentally friendly, treating employees fairly without any discrimination based on gender, race, or religion, and applying labor standards globally. More than 60% of the general public felt that companies should also be held responsible for bridging the gap between the rich and the poor, reducing human rights abuses, solving social problems, and increasing economic stability.

The *State of CSR in India, 2004*, released by TERI mentions that, "While much has been done in recent years to raise awareness on social responsibility as a business imperative, CSR in India has yet to achieve critical mass. If this goal is to be realized then the CSR movement will have to become much more business-like - with

*companies starting to set clear objectives, making real investments, measuring actual returns, and reporting performance openly."*

*As per PWC's Handbook of Corporate Social Responsibility in India, 2013, "a fourth and increasingly important stakeholder is the community. Many companies have started to recognize that the 'license to operate' is no longer given by governments alone, but communities that are impacted by a company's business operations. Thus, a robust CSR program that meets the aspirations of these communities not only provides them with the license to operate, but also to maintain the license, thereby precluding the trust deficit."*

So far the CSR journey of Indian companies has been voluntary. The Ministry of Corporate Affairs further supported this process when it released the *Voluntary Guidelines on CSR* in 2009. Based on feedback received from stakeholders, in 2011, the Ministry of Corporate Affairs released the revised *National Voluntary Guidelines (NVG) on Socio-Economic and Environmental Responsibilities* to help the corporate sector in their efforts towards inclusive development. The NVG provide businesses a framework that enables them to move towards responsible decision-making and urges them to adopt the 'triple bottom-line' approach and provides nine core principles and key focus areas:

- Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

- Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- Principle 3: Businesses should promote the wellbeing of all employees.
- Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- Principle 5: Businesses should respect and promote human rights.
- Principle 6: Businesses should respect, protect, and make efforts to restore the environment.
- Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- Principle 8: Businesses should support inclusive growth and equitable development.
- Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

However, now the scenario is changing for Indian companies. CSR is beginning to get regulated. The Securities and Exchange Board of India (SEBI) made the inclusion of Business Responsibility Reports as part of the Annual Reports mandatory for top 100 listed entities based on market capitalization at BSE and NSE as of March 31, 2012. The

requirement was enforced with effect from financial year ending on or after December 31, 2012.

The rationale for SEBI is that *“at a time and age when enterprises are increasingly seen as critical components of the social system, they are accountable not merely to their shareholders from a revenue and profitability perspective but also to the larger society which is also its stakeholder. Hence, adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance. This is all the more relevant for listed entities which, considering the fact that they have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive continuous disclosures on a regular basis.”*

## **1.6 Mandatory CSR and Different Types of Companies**

Currently, the inclusion of mandatory CSR under Section 135 of the Companies Act, 2013 is re-defining the construct of CSR in India. Considered first of its kind, the new legislation requires certain class of companies to spend at least two per cent of their three-year average annual net profit towards CSR activities.

Companies having net worth of at least Rs.500 crores, or having minimum turnover of Rs.1,000 crores, or those with a net profit of at least Rs.5 crores, have to make CSR funds. This will bring about 8,000 companies within the ambit. The

annual CSR funding by them is expected to be between Rs.15,000 crores and Rs.20,000 crores.

The new rules, which are applicable from the fiscal year of 2014-15, also require the companies to set up a CSR committee of their board members, including at least one independent director. The government has left the specific areas of focus to the company's board though broad areas have been defined in Schedule VII of the Act which include:

- Eradicating extreme hunger and poverty
- Promotion of education
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability
- Social business projects
- Contribution to the Prime Minister's National Relief Fund or any other fund setup by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- Other matters as may be prescribed.

On the same lines, the Department of Public Enterprises (DPE) in the revised guidelines for CSR and Sustainable Development for Central Public Sector Enterprises (CPSE) has clubbed together CSR and Sustainability in one set of guidelines. For the purpose of MoU evaluation, the performance of the CPSEs would be judged on the basis of the revised guidelines.

In the revised guidelines, the thrust of CSR and Sustainability is clearly on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions, and uplifting of the marginalized and under-privileged sections of the society. Making it mandatory in the revised guidelines for CPSEs to take up at least one major project for development of a backward district has the potential of contributing significantly in the long run to socio-economic growth in all the backward regions of the country.

As reported in PwC's *Handbook on Corporate Social Responsibility*, 2013, SMEs significantly contribute to India's economic growth. These serve independently and also as ancillary to larger units and help generate employment and industrialize the rural and backward regions of India. SMEs contribute significantly to the provision of productive employment opportunities, the generation of income and ultimately, the reduction of poverty. They employ nearly 40% of India's workforce and contribute

around 45% to India's manufacturing output.

By requiring companies with a net profit of Rs.5 crores and above to spend on CSR activities, the Companies Act, 2013 is likely to bring in many SMEs into the CSR fold. Already, SMEs are expected to comply with social and environmental costs while remaining competitive in terms of price and quality, as they belong to global supply chains. With mandatory CSR, some SMEs will come under the fold and will need to learn to create new frameworks to make CSR sustainable.

On the one hand, Indian companies are at the threshold of deriving competitive advantage from CSR in the form of new partnerships with NGOs and communities and are also succeeding in introducing new products and services relevant for under-served markets. So CSR is 'business-like'. While on the other hand, with environmental regulations getting stringent and the communities getting more aware, the 'social license to operate' is becoming a significant core in many industry sectors, making CSR a necessity. And adding to this journey is mandatory CSR.

The manner in which CSR will now be taken-up by companies is turning out to be interesting, with great potential for NGOs, Social Enterprises and enterprising communities.

Under the CSR umbrella, Bala Vikasa hopes to see defining moments on the community development front.

While companies execute community development initiatives, the move of mandatory CSR is going to bring the attention of key stakeholders to the manner in which it is being rolled out. The stage is set for innovation and lasting impact in the space of community development.

## 1.7 Potential of CSR to contribute to meaningful development

In order to maximize the impact of their CSR, Indian companies need to look beyond the traditional lens of “charity” and develop CSR processes with potential for large-scale human impact. The CSR journey of Indian companies is reaching a point where defensive and short-term approaches will not be sufficient. There is immense potential to weave CSR as part of growth strategy, in terms of investment in social business projects and to undertake structured CSR in local communities with clear goals and regular monitoring, albeit with a partnering approach and not a paternalistic approach.

As per the World Bank’s *Human Development Report*, 2013, “*Investments in human development are justified not only on moral grounds, but also because improved health, education and social welfare are key to success in a more competitive and dynamic world economy. In particular, these investments should target the poor—connecting them to markets and increasing their livelihood opportunities. Poverty is an injustice that can and should be remedied by determined action.*”

Few highlights from the World Bank’s *Human Development Report* include:

- The first Millennium Development Goal of halving the proportion of people living on less than \$1.25 a day relative to 1990 has been met three years before the target date. India has reduced the proportion of people who are income poor from 49.4% in 1990 to 32.7% in 2010.
- For India, before 2000, more than half the adult population had no formal education and the proportion of the adult population with no education will decline only slowly. Partly because of lower level of education, particularly among women.
- India has made education free and compulsory for children ages 6–14. The vast majority of children are enrolled in government schools, especially in rural areas. However, government schools suffer from bad infrastructure, overcrowded classrooms, poor access, teacher shortages and absenteeism.
- India increased central government spending on social services and rural development from 13.4% in 2006–2007 to 18.5% in 2011–2012.
- India has the most projected child deaths over 2010–2015, almost 7.9 million, accounting for about half the deaths among children under age five in Asia.
- Almost 95% of children in Bangladesh are fully immunized against tuberculosis, compared with only 73% in India.

- In 2010, India announced voluntary targeted reductions of 20%–25% in carbon intensity (carbon dioxide emissions per unit of GDP).
- There are no clearly identified regular employers who can contribute towards healthcare on behalf of the estimated 93% of the workforce in the informal sector.

These highlights are meant to bring attention to the fact that India has a lot to do to improve its human development index. In addition to the government and civil society, the business community is also expected to play a definitive role.

As per CII's *Business Responsibility Survey* conducted in 2013, the key findings are:

- Most of the top 200 companies in India claim to have various practices of business responsibility, including CSR in place.
- The regulatory mandate by SEBI is the leading driver for demonstration/ execution on policies.
- About 25% of companies surveyed spend at least 2% of PAT on CSR activities; most of the respondents collaborate with public agencies for CSR activities.
- Strong areas in business responsibility are environment, employee affairs and governance.
- Areas of concern are human rights, corruption and supply chain.

- Women are under-represented in the workplace. More than half of the top 200 companies have female staff less than 10% of the total staff. About 50% companies have no women in the top management or on the Board.

The survey shows that CSR is becoming a boardroom agenda and is poised to add value not only to companies, but to communities and to the larger social system as well.

KPMG's white paper, *Corporate Social Responsibility-Towards a Sustainable Future*, released in 2008, reports that for CSR to be effective, companies can do the following:

- Focus on priorities.
- Allocate finance for treating CSR as an investment.
- Optimize available resources by ensuring that efforts are not duplicated and existing services are strengthened and supplemented.
- Monitor activities and liaise closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcomes.
- Report performance in an open and transparent way so that all can celebrate progress and identify areas for further action.

## 1.8 Conclusion

While looking at the opportunities and possibilities through the Bala Vikasa Community Driven Development (CDD) lens, the following aspects stand out:

1. Need for companies to deeply understand the CDD approach—which requires a paradigm shift in thinking, practices and assessment:
  - With large investments being proposed for CSR, business strategies will soon focus on solving deep-rooted social problems.
  - When companies choose to engage with NGOs and social enterprises to deliver on their CSR commitments, the engagement will become long-term and will also trigger collaboration between the stakeholders.
  - Companies will also appreciate the need to learn appropriate ways of community development.
  - The programs and projects with communities will take a new dimension where it will be deepened and newer models will emerge which will introduce concepts and practices related to the Results Based Management model and Asset Based Community Development approach.
  - In this context, BV's Development Guidelines and learning experiences need to be taken to companies as they experience a lack of information, knowledge, skills and practice of community driven development.
2. Scope for NGOs, Social Enterprises and foundations to learn and imbibe Community Driven Development approach to make sustainable community development possible:
  - Civil society organizations and Social Enterprises can look forward to becoming more organized and planned.
  - In spite of the three million NGOs that exist in India, there is a popular perception that many are inefficient and disorganized. The infusion of CSR investment will call for quick scaling of systems and processes by NGOs.
3. Emergence of potential conflict in how companies can engage with communities and what shifts would need to be made to institutionalize Community Driven Development. This would require 'talent' that is capable of operating in areas which are blurred, yet champion community development with a facilitation approach and not 'doling out'.
  - CSR issues will have Board engagement. Once this happens, companies



would need to have the talent to take-up systematic CSR work. There will be an increasing need to train and develop human resources that can creatively address such a conflict.

- An area that presently does not have standards and guidelines is working with communities. BV's 10 Development Rules and its first-hand experience will be extremely relevant for a whole range of companies and NGOs alike.

## Experiences in CSR

*When the music changes, so does the dance.”  
African proverb*

### 2.1 CSR and Business Sustainability

With CSR encompassing a gamut of issues, right from ones ‘inside’ the company to ones ‘outside’ it, business sustainability is driven by CSR.

To begin, it is important to understand what the key issues are under the umbrella of CSR and business sustainability.

Business sustainability is understood, and is promoted and measured with the triple-bottom line (TBL) approach. People, Planet and Profit succinctly describe the triple-bottom line and the goal of sustainability. The phrase ‘People, Planet, Profit’ was coined by John Elkington, *Sustainability* (1995).

‘People’ pertains to fair and beneficial business practices toward labor and the community and region in which a corporation conducts its business.

‘Planet’ (natural capital) refers to sustainable environmental practices.

‘Profit’ is the economic value created by the organization after deducting the cost

of all inputs, including the cost of the capital tied up.

WBSCD’s report on *Making Good Business Sense* points towards key issues that companies need to consider to ensure business sustainability. Key issues addressed under the umbrella of CSR, from a business sustainability point of view, are:

- **Human Rights:** focused on child labor, women’s rights.
- **Employee Rights:** ensuring well-being of employees, labor rights.
- **Environment Protection:** addressing impact of operations on the environment.
- **Community Involvement:** importance of company involvement and investment in the local community.
- **Supplier Relations:** increasing importance of local suppliers.

In India, as reported in KPMG’s white paper, *Corporate Social Responsibility - Towards a Sustainable Future*, 2008, the following key focus areas are being incorporated into business practices as part of CSR:

- **Partnership with NGOs and Government:**

There has been an increase in the number of corporates partnering with NGOs and the Government to ensure successful execution of initiatives.

- **Community development:**

Most large companies either have their own foundations or contribute to other initiatives that directly support the community uplifting, notably in health, education, and agriculture.

- **Environmental management:**

Environmental policies and programs are now standard, and many companies have implemented the ISO 14 001 system throughout their businesses.

- **Workplace:**

Growing out of a long-standing commitment to training, safety and employee well being, companies are continuing their investment in these areas.

## 2.2 CSR Experiences<sup>2</sup>

Amongst the many key issues, companies are responding to the communities that their operations affect, and also the larger society, through philanthropic means. Some companies are moving up the levels of learning and also have participatory approaches so that their work on the 'outside' is sustainable.

There are many dimensions to CSR implementation and therefore that many experiences shared in the public domain. As Bala Vikasa specializes in working with communities, the experiences given here also focus more on philanthropic and work on the 'outside' done by companies under the CSR umbrella.

The short case studies selected from public domain, in the Global and Indian landscape, highlight ways in which CSR practices sustain and create value for communities. The experiences presented here are chosen to highlight philanthropic CSR with shades of strategic CSR and also specifically focuses on, work with communities, particularly in the Indian landscape.

The experiences in the Global landscape depict situations where companies engage with a broader social issue, ranging from programs for safe drinking water, to a school feeding program and enhancing science, engineering and mathematics talent for K-12 schools, The Indian experiences present objectives and lessons learnt from working with communities.

### 2.2.1 Global Scenario

#### A. Proctor & Gamble (P&G)

P&G<sup>2</sup> reports in an article on its Safe Drinking Water program, "4000 children die every day from unsafe drinking water, which is more than HIV, AIDS, and malaria combined at a time when proven, scalable, cost-effective interventions are

<sup>2</sup> Information for these case studies has been sourced from the relevant sections of the respective company websites.

available. "P&G's Children's Safe Drinking Water program is a non-profit effort within Proctor & Gamble. The effort has two primary objectives:

- To raise awareness of the global clean drinking water crisis
- To help address the problem by providing a water purification product.

The product is PUR water treatment packet and P&G provides them to NGOs and other aid organizations at cost, which makes the program scalable. One packet can purify 10 liters of water, enough for one day's use by a family of five. The product was developed in conjunction with US CDC back in 2004. To date P&G has provided some 300 million packets, which is equivalent to 3 billion liters of clean water.

P&G reports, *"We never make a profit on this product. We do it to save lives, because it's important and we also do it for employee motivation. We just took a group of employees to see our work in Malawi and believe me, they will be ambassadors for P&G for the rest of their lives. It's very visible, our folks tell us it's the most widely read thing on our website. We don't make any profit on PUR and if we do, any margins we make go back into the developing world. Much work still must be done in the developing world to ensure safe and reliable water supplies. Many women and children often walk up to six kilometers per day to fetch water for household use—and often that water is frequently contaminated."*

Some of the lessons P&G learnt in scaling up its Safe Drinking Water program were:

- It took time for this program to evolve to the point where it is today. Initially P&G tried doing the outreach themselves.
- People liked the product but the effort it took to find and connect with those in need was difficult.
- They tried selling it as another commercial brand, but found that those who needed it most couldn't afford it.
- Then P&G began working with partners (such as World Vision, PSI, USAID, CDC, the Red Cross, CARE, Save the Children). That was effective but limited by what these organizations could afford.
- Even with P&G providing the packets at cost, they were only reaching a small fraction of those who desperately needed clean water and had no other viable alternatives to obtain it.
- That's when P&G started the brand SAVER coupon program that increased the funding dramatically, enabling a much higher production. The brand-SAVER program is designed to both raise awareness and provide funds for this effort. So, P&G provides discount coupons for their products, and every coupon that is redeemed results in one day's supply of drinking water given to an individual in need.

- P&G is now shipping over 100 million packets a year.

P&G's experience has shades of philanthropy, however, is also made sustainable through linkage with a coupon scheme that in turn builds a reputation for P&G. PUR as a product itself is an innovation, triggered by a social need.

## **B. Tetra Pak**

Tetra Pak was early in engaging in community projects and the company has supported School Milk and School Feeding Programs for 45 years.

Tetra Pak reports, *"Our history in sustainable development goes back to the 1960s and Tetra Pak founder, Ruben Rausing. After spending time in Pakistan and observing surplus food being destroyed in the developed world, Dr. Rausing began to focus on the lack of protein-rich nutrition in the 'third world'. He was aware of the importance of protein and amino acids for the development of the brain in children and that malnourished children may not develop their full intellectual potential. His solution was to pack sterile milk in aseptic packages while stimulating the development of dairy processing in developing countries while growing local milk production. Some of the first school milk programs using Tetra Pak packages started in the 1960s and 1970s in countries such as Mexico, Japan and Kenya. Today\* Tetra Pak packaging is used in school feeding in more than 50 countries benefiting almost 45 million children, of which 25 million are in developing countries."*(2009).

The Food for Development Office (FfDO) was initiated to improve nutrition and health and alleviate poverty globally. The FfD program is mainly focused on school nutrition and school milk for children, but also on projects improving agricultural practices and dairy handling, providing training for farmers to enhance efficiency, productivity and food safety. This is also beneficial for Tetra Pak as it builds relations and secures supply in less developed markets. Tetra Pak works closely with local governments and NGOs to secure and develop the programs.

The FfDO's activities go beyond the normal operations, but are not charity. It has expansive experience in analyzing the challenges and opportunities surrounding projects. FfD Program Directors assist in identifying the objectives, such as combating hunger and malnutrition among children, increasing school attendance and enrolment, developing agriculture, etc.

They enhance their project proposals through local inputs from interviews and observations, combined with their knowledge and experience from similar environments or projects.

The FfD team includes experts in project proposal writing, equipment financing, School Feeding Program implementation and product development work. They have a relationship with a number of international and regional partners that support activities within the fields where FfD operates.

## School Milk Program

The School Milk Program is part of the Food for Development projects and aims at providing milk to school children to help improve nutrition. In order to realize school feeding programs Tetra Pak starts and participates in public-private partnerships. The company offers its competencies to the government or NGO that is working towards a goal of providing nutritional aid in schools. Without any direct compensation from NGOs/governments, Tetra Pak offers practical help in developing and implementing such programs. Tetra Pak's FfDO works towards establishing such partnerships and gets payment for packaging material bought by its customers (agencies that produce and package milk). It supplies the cartons for the school milk at cost and does not make any profit on sales.

School Milk Programs benefit individuals and society as a whole. When national health is improved through better nutrition, costs for health care are reduced. As milk consumption increases, national dairy industries develop, and when free milk provides an incentive for children to attend school, educational performance is improved and poverty begins to erode.

### **The benefits include:**

- Promoting school attendance
- Improving the health of school children
- Improving the student's academic results

- Creating jobs throughout the value chain

A school feeding program functions as a catalyst that creates demand for locally produced food of high quality as well as improving the health and learning capacities of the children. The result is sustainable social and economic development and creation along the value chain.

Tetra Pak FfD is an example where social responsibility has been built into the business strategy. The office set up by Tetra Pak brings forth its competence in producing and packaging food products. Essentially the School Milk Program is a win-win-win for all the stakeholders-Tetra Pak, Governments/NGOs as implementers of such programs and the school children.

## **C. IBM**

IBM believes that company culture based on core values not only helps the business, but also defines the role that it can and should play in society.

Thomas Watson, Jr., IBM's second chairman and the son of its founder, put it: *"Corporations prosper only to the extent that they satisfy human needs. Profit is only the scoring system. The end is better living for us all."*

IBM's Transition to Teaching (T2T) program addresses K-12 STEM (Science, Technology, Engineering, Mathematics) pipeline issues by facilitating retiring

IBMers' moving into science and math education. T2T is an extension of IBM's work in education and community service. Since 2006, IBM has supported those employees who want to begin second careers as fully accredited teachers in STEM subjects in their local communities.

The IBM executive who helped launch the program in 2005 and who also chairs the Massachusetts Board of Education, acknowledges that T2T follows a rather odd business model. That is, most companies don't pay to train employees to go work somewhere else. Part of the goal, she said, is for the company to position itself as a leading voice in math and science education – and to demonstrate that teachers who come out of industry, rather than schools of education, can succeed in the classroom.

The program is based on the fact that many long-term IBM employees are already thinking about teaching as a second career. Others have the exact background and skills needed to strengthen STEM education in schools, and IBM wants to introduce them to the idea of teaching. The program encourages all IBMers who are ready for their next challenge to help address the national teacher shortage in math and science.

Transition to Teaching provides employees with guidance and funding to help them transition into teaching as their next career move, while still working at IBM. IBM was the first

company to provide its employees with the opportunity to pursue a second career as a K-12 math or science teacher. By 2012, the number of employees who are participating in the Transition to Teaching program topped 100, and 32 graduates have already completed their teacher certification and are teaching in classrooms or leading online courses in the United States.

Acknowledging that a shift in vocation takes time and training, the T2T program helps underwrite the costs while employees pursue the education and training experiences required for teacher certification—combining traditional coursework, online courses and practice teaching. Employees are able to choose the certification program that meets their needs so they can get the necessary education courses as well as assistance during the student teaching period. Employees are eligible for a total of \$15,000 for tuition reimbursement or stipends for up to a year of field experience.

Through the T2T program IBM has been able to redeploy talent to fulfill a nation's need. It also makes the company an 'employer of choice' as they facilitate the transition through provision of resources in the form of money and training.

## **2.2.2 Indian Scenario: CSR and Large Corporations**

### **A. Aditya Birla**

The goal of social responsibility in Aditya

Birla Group of companies is, *"To actively contribute to the social and economic development of the communities in which we operate. In doing so, build a better, sustainable way of life for the weaker sections of society and raise the country's human development index."*

The CSR projects are carried out under the aegis of the Aditya Birla Center for Community Initiatives and Rural Development. The Center provides the strategic direction, the thrust areas and performance management support for the work with communities.

The focus is on the all-round development of the communities around factories located mostly in distant rural areas and tribal belts. All the Group companies -Grasim, Hindalco, Aditya Birla Nuyo and Ultratechhave Rural Development Cells, which implement CSR strategies. The Rural Development Cells receive guidance and support from the Center for Community Initiatives and Rural Development.

The Group spends in excess of Rs.130 crores annually, inclusive of the running of 18 hospitals and 42 schools. The Group transcends the conventional barriers of business and reaches out to the marginalized as a matter of duty and to bring in a more equitable society.

The projects are implemented in partnership with government bodies, district authorities, village panchayats and villagers. The Government has, in their 5-year plans, special funds

earmarked for human development and the Center for Community Initiatives and Rural Development takes recourse to many of these.

The Center reports, *"All projects are planned in a participatory manner, in consultation with the community, literally sitting with them, and gauging their basic needs. We take recourse to "participatory rural appraisal", which is a mapping process. Subsequently, based on a consensus and in discussion with the village panchayats, we prioritize requirements. Implementation is the responsibility of the community and our team, as is the monitoring of milestones and the other aspects. Monitoring entails physical verification of the progress and the actual output of the project. Village meetings are held periodically to elicit feedback on the benefits of our community programs and the areas where these need to be beefed up. We try and ensure that while in the short-term we have to do enormous handholding, the projects become sustainable by the beneficiaries over the long haul. Once this stage is reached, we withdraw. In this way we do not build a culture of dependence, instead we make the villagers self-reliant."*

One of the unique initiatives is to develop model villages, so each of the major companies is working towards the total transformation of a number of villages in proximity to their plants. The footprint of the community work covers 3,000 villages across the length and breadth of the country. The Group reaches out to more than seven million people annually. Over 60% of these live below the poverty



line and belong to scheduled castes and tribes.

Making of a model village entails ensuring self-reliance in all aspects viz., education, health care and family welfare, infrastructure, agriculture and watershed management, and working towards sustainable livelihood patterns. Fundamentally, ensuring that development reaches a stage wherein village committees take over the complete responsibility and rural development teams become dispensable.

The rural development activities span five key areas—healthcare, education, sustainable livelihood, infrastructure and espousing social causes.

### **Education**

- Formal and non-formal education, adult education
- Scholarships for girls, merit scholarships and technical education for boys
- Distance education
- Girl child education
- Digital literacy / computer education

### **Health care and family welfare**

- Pulse polio program
- Mobile clinics – doctors' visits
- General and multi-specialty medical camps, cleft lips
- Reproductive and child health care, supplementary nutrition / mid-day meal projects

- Safe drinking water, sanitation – household toilets, community hospitals
- HIV / AIDS, cancer, TB awareness and prevention camps
- Blood donation
- Responsible parenting

### **Social causes**

- Widow re-marriage / dowry-less mass marriages
- Social security (insurance)
- Culture and sports
- Women empowerment

### **Infrastructure development**

- Community centers
- Schools in villages
- Health care centers and hospitals
- Roads
- Homes for the homeless
- Rural electrification
- Irrigation and water storage structures

### **Sustainable livelihood**

- Self-help groups (microfinance for women and farmers)
- Integrated agriculture development
- Integrated livestock development
- Watershed management
- Microenterprise development
- Skill development / vocational training

through Aditya Birla Technology Park for integrated ( training program and Vocational Training centers at most of our plants in collaboration with Industrial Training Institutes (ITI)

The experience of Birla group of companies demonstrates the shifts happening in the way companies are working with communities. From a giving approach, they are taking a participatory approach. Another experience that corroborates a similar approach is presented next.

### **B. TVS Motors - Srinivasan Services Trust (SST)**

The TVS Motor Company makes a significant contribution around its factories in South India through the Srinivasan Services Trust (SST). Over the last 17 years, SST has worked in 1124 villages in the Indian states of Tamil Nadu, Karnataka, Andhra Pradesh and Himachal Pradesh.

The Trust reports, *"The challenge is to make this change sustainable through the active participation of communities- the true agents of change. Ours is a relationship of mutual trust, with project priorities fixed through discussion. Each village has created its own Development Fund. Local communities contribute to this fund and utilize it for maintenance of village infrastructure. The people manage these projects and zealously guard the gains of development, often improving upon the original project objectives."*

In an interview with Civil Society Magazine, the Director of SST explains that SST conducts assessment of its services and in eight years, two assessments have been conducted. The interview provides insights about the learning curve of SST with respect to undertaking community development. For Bala Vikasa, SST's work with communities resonates with its own ABCD way.

In the interview, the Director says, *"The first assessment was to know if the community was feeling the change. And we found that they were. In some areas there was impact of a high order and in others it was nominal. But we felt sustainability was not being achieved. There were programs that people would welcome and consider it our duty to continue with. They didn't feel the need to get involved. We clearly had to work on that to get people involved and ensure that programs could continue without us."*

The interview also draws attention to the community's behaviors. Regarding getting help from companies, *"People became involved when it was an income generating activity. But health, education and cleanliness remained grey areas. They welcomed SST initiatives but felt that the Trust should continue to be responsible for them."*

### **SST shares the following lessons:**

- They created more awareness.
- They consulted the community more and involved people in planning. The SST team invites members of Village Development councils, Gram Sabhas

and Village Panchayats to identify development goals and then helps to implement these projects, using local and government resources.

- They gave recognition to those who participated and did well.

For example: *“School infrastructure is an example. At first we (SST) would do the work and they (Community) would say well done. Then we said we would give the people the material and they would have to get the work done. Then we asked them to put in a financial contribution. It was small: Rs. 10 to 15 per child. Now we don’t spend money on maintenance. The community maintains the school infrastructure.”*

SST’s Progress Report provides details of activities undertaken under each focus area. A noteworthy practice is to report on results as well. As an example, SST reports the results of activities undertaken in the Education focus area:

- The activities are measured as number of youth that underwent training and number of women attending literacy programs.
- The results are measured as number of youth made employable and earning above Rs.1500/- per month and number of women made literate up to class two level.

### **C. Taj Group**

Tata Group articulates its commitment to CSR as, *“The Tata tradition in community development has, since the earliest days of*

*the group’s history, been defined by its core values. It never was charity for its own sake or, as group Founder Jamsetji Tata put it, ‘patchwork philanthropy’.”*

The Taj Group of Hotels has taken up education and employability as the principal points of its corporate sustainability (CS) efforts across India. The Taj uses its competencies in areas such as food production, housekeeping and laundry to develop and train ‘raw’ people to enable their earning a livelihood. For example, partnering with NGOs to train underprivileged women housewives in hospitality, self-grooming and housekeeping.

With ‘Building Sustainable Livelihoods’ as its company-wide CS theme, the Taj group has now zeroed in on its key aim - providing access to skill-based education and training to India’s underprivileged youth. The group also leverages its core competencies in hospitality to look at ways to reduce malnutrition, promote indigenous artisans and craftsmen and increase employability.

In 2007, Taj set up its first training center in partnership with Pratham, an NGO that works for the cause of providing education to underprivileged youth. The center aims to provide training in hotel industry processes such as food production, housekeeping and food and beverage services to disadvantaged youth from the rural areas of Maharashtra’s Aurangabad district. Taj provided the curriculum, training of faculty, guidance for setting up the training infrastructure, industrial

exposure and on-the-job training; it even provided Taj staff as visiting faculty. With the success of this pilot, Taj went on to tie up with other NGOs across the country to set up more such hospitality training centers.

Taking this training model further, the Taj group tied up with several government Industrial Training Institutes (ITIs) in rural India to offer skill-based training to local youth. The group helps these institutes to update their curriculum and make it relevant to the job market, facilitates the infrastructure required for the training programs and also helps students find internship opportunities.

The results from Taj Group of Hotels efforts are, *"More than 90% of those who have undergone training so far have found employment, while the rest have either chosen to study further or help with family occupations."*

The Taj has over 36 skill training centers in India in partnership with governments, foundations, national NGOs and has trained over 8500 youth since 2008.

### **2.3 India scenario: CSR and Small and Medium Enterprises (SME)**

CSR in SMEs is also a growing area and holds potential for both the company and communities.

SMEs in India have grown phenomenally during last few years and have made a significant contribution to industrial

output and exports from the country. They account for more than 80% of industrial enterprises and contribute to one of the highest shares of employment in the country especially in sectors like textiles, engineering, jute, auto ancillary, handicrafts etc.

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

*"Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:*

- *A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs 25 lakhs;*
- *A small enterprise is an enterprise where the investment in plant and machinery is more than Rs.25 lakhs but does not exceed Rs 5 crores.*
- *A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crores but does not exceed Rs.10 crores."*

According to estimates, there are about 13 million small enterprises in the country providing employment to more than 40 million people. These enterprises contribute 45% of industrial production and 40% of the direct exports of the country. Such enterprises contribute to employment generation and economic

impact through use of labor-intensive production and by being critical players in the value chain of large companies.

However, SMEs are often associated with excessive pollution levels, poor waste management practices, lack of energy conservation programs and lack of labor standards.

One of the unique characteristics of SMEs is that their functioning is anchored with the owner who in most cases heads the organization and its CSR policies are centered on his/her knowledge, values and interests.

With Corporate Social Responsibility (CSR) programs, SMEs can put in positive effort. While individually each of these SMEs may not be a significant influence like large companies, their cumulative social and environmental impacts could be significant.

The motivation for SMEs to engage in CSR is given here:

- Business benefits: wishing to gain tangible and/or intangible.
- Personal values: wishing to live out individual values.
- Institutional factors: wishing to comply with industry, social, legislative expectations.
- Stakeholder driven: wishing to fulfill stakeholder expectations.

*Source: Tips & Tricks for Advisors, CSR for SMEs, European Commission, 2013*

### **2.3.1 Promotion of cluster development for SMEs**

The Indian Government is actively promoting cluster development as a strategy to grow SMEs.

Clusters are defined as sectorial and geographical concentrations of enterprises, faced with common opportunities and threats, which can:

- a) Give rise to external economies (e.g. specialized suppliers of raw materials, components and machinery; sector specific skills etc.);
- b) Favor the emergence of specialized technical, administrative and financial services;
- c) Create a conducive ground for the development of inter-firm cooperation and specialization as well as of cooperation among public and private local institutions to promote local production, innovation and collective learning approach to SMEs.

In 2007, UNIDO along with the Swiss Development Corporation has embarked on a thematic co-operation to identify and disseminate good practices and operational suggestions to improve the participation of the SMEs in the CSR movement.

In this context, the United Nations Industrial Development Organization (UNIDO) suggested to the Indian

government that it should *"suitably modify the existing cluster development schemes by various ministries to include socially and environmentally relevant activities, thus fostering inclusive growth"*.

The role of industry associations in influencing the practice of CSR in SMEs is significant. The Bombay Chamber of Commerce and Industry along with the Business in the Community (BITC) had in 2007 undertaken a project with 20 select SMEs. The intention was to build capability in these SMEs over a period of time.

There is a growing recognition that CSR is not the exclusive domain of large companies. At the same time, there is a growing understanding that CSR in smaller business is not the same as CSR in larger enterprises. For SMEs, some of the CSR initiatives that can be pursued are: conducting its business in an ethical manner; paying all taxes and duties; providing a healthy working environment; adhering to basic social security regulations such as minimum wages, ESI, PF; purchasing from local communities; providing local employment; and developing local vendors for supplies.

### **2.3.2 Examples of SMEs doing CSR <sup>3</sup>**

#### **A. The Sports Goods Foundation of India (SGFI)**

This example showcases how SMEs

can come together and participate in addressing social issues connected to their business, while also addressing larger social issues.

SGFI was started a decade back by volunteer members from the Indian Sports Industry. The Jalandhar-based Foundation organizes campaigns for the abolition of child labor from the sports goods industry and the promotion of child education. Besides managing tuition centers for poor children, SGFI carries out health check-up campaigns in schools.

The Indian sports goods industry manufactures 318 items. Major items that are exported are inflatable balls, hockey sticks and balls, cricket bats and balls, boxing equipment, fishing equipment, indoor games like carom and chess boards and different kinds of protective equipment. The Indian sports goods industry is a highly labor intensive industry that provides employment to the weaker sections of society and also employs a large number of women.

The adverse publicity which the sports goods industry received in the Western media regarding the practice of child labor could not have been successfully countered by any single sports goods exporter because of the sheer nature and the gigantic magnitude of the problem. The industry's collective efforts through the Foundation's initiative ensured the survival of this industry and its long-term growth.

<sup>3</sup> These case studies of Indian SMEs involved in CSR are found in « CSR Practices by SMEs in India : Lessons from Five Case Studies» Nair, N.K. & Sodhi, J.S published in the Indian Journal of Industrial Relations, Volume 47, Issue 4, April 2012.

Over a period of time with experience and learning's drawn because of close contact with the community,SGFI's vision was broadened and it started looking at root causes linked to needs for education, health, social security and women empowerment. The strategy followed was a bottom-up approach, which meant understanding what is required at the community level and then devising methodology, action plan and activities addressing the needs of the community. To take this agenda forward, support was extended by UNIDO-CDP in the form of capacity building, knowledge linkage, monitoring and evaluation. Under *Sarva Shiksha Abhiyan* (Education for All) program, the state government contributed to the success of the Foundation drive in terms of the number of schools that it opened.

## **B. Kumar's Agri Business Corporation**

The Hyderabad-based S. Kumar's Agri Business Corporation has set its mission to initiate change through innovative, sustainable, eco friendly green initiatives. The company's CSR foundation GUESS (Green Universe Environmental Services Society) has emerged out of the Company's firm belief and commitment to promote sustainable livelihoods while protecting the environment in rural and remote areas of the country.

While promoting education in rural areas, improving rural infrastructure, rural community development, income generating programs, etc., GUESS is firmly committed to the three Gs: Green

Earth, Green Wealth and Green Health. It offers a source of off-season employment along with training in advanced farming techniques for the local casual labor, especially rural women and provides stable incomes to the rural landless poor.

The company considers the whole of its activities in the context of a broader CSR spectrum in tandem with its own business promotion efforts, each reinforcing the other, thus contributing to expand its resource base as well as to sustain its market.

Its CSR foundation GUESS, closely interacts with and receives support from prominent state NGOs like the Ramananda Teertha Foundation, TSR Samiti and Andhra Pradesh Medicinal and Aromatic Plants Growers Association.

S. Kumar's Agri Business Corporation bears testimony to the fact that the local community's involvement and support is indispensable to the success of SME initiatives.

## **C. Shashwat Foundation**

The Ahmedabad-based Shashwat Systems has established the Shashwat Foundation.

What distinguishes Shashwat CSR activities is the manner in which the CEO's personal beliefs and ethical values are translated into promoting women enterprises throughout Gujarat.

She personally serves as a teacher, guide

and mentor to the numerous young and aspiring women entrepreneurs in the state. Backed by her vast experience acquired through the difficult odds of building up her own enterprise, she devotes a significant part of her time and energy to groom young women entrepreneurs to successfully traverse through the maze of rules and regulations, forms and procedures, opportunities and threats, markets and customers, finance and bureaucratic administrations. She undertakes sustained efforts to locate talented young women entrepreneurs, guides them and mentors them to stay successful in their endeavors.

Along fellow members of Gujarat Chamber of Commerce & Industry's Women Wing, she organizes frequent seminars and conferences and inducts many young women into the business world and guides them through the initial period.

Shashwat Systems' large-scale promotion of women enterprises in the state of Gujarat draws important support and cooperation from the members of the Women Wing of the Gujarat Chamber of Commerce and Industry.

#### **D. Sohrab Enterprises**

Malerkotla-based(Ludhiana, Punjab) Sohrab Enterprises runs a charitable trust called HARF. Under the trust, the following programs exist: Education (Sohrab Public School); a Primary Health Center; a Widow Stipend Program and an Orphan Girl Marriage Assistance Unit. As

its motto says, the company is dedicated to "*Service to mankind, national integrity and communal harmony*". The Group's numerous development initiatives are consciously designed to serve this motto.

Inspired by the memories of a life of hardship during childhood and student days, the Group's promoter devotes the whole of his energy and resources to preserve and enrich what Malerkotla inherited: communal harmony.

Sohrab Enterprises CSR activities have been drawing the support from the local Panchayat, the children's parents of the affiliated Sohrab Public School and the local chapter of Rotary International.

Shy to publicize the success of his efforts because of his belief that he owes to the community at least a fraction of what he draws from it, Sohrab Enterprises' CEO has nevertheless received numerous state and national awards for his involvement in CSR as well as for business performance in the fields of productivity and safety.

#### **E. Motif India Infotech**

As part of its CSR, the Ahmedabad-based Motif India Infotech raises funds for social causes through people's participation.

Motif provides the platform for NGOs and mobilizes financial support for them and brings about awareness of those who render socially responsible services the best. Motif organizes the Motif



Charity Walk every year, an event that not only mobilizes financial resources for deserving causes but also brings awareness for such causes among the population.

In using this model of CSR, Motif explicitly recognizes its limitation and leaves the social work to organizations that have expertise in the field.

## 2.4 CSR & Social Enterprises

The definition of Social Enterprise given by Social Enterprise, UK is *"A social enterprise is a business that trades for a social and/or environmental purpose. It will have a clear sense of its 'social mission': which means it will know what difference it is trying to make, who it aims to help, and how it plans to do it. It will bring in most or all of its income through selling goods or services. And it will also have clear rules about what it does with its profits, reinvesting these to further the 'social mission' "*.

In this case, social responsibility is the prime motivation for these enterprises to be incorporated. The social impact is a major bottom line and therefore such enterprises become a source of CSR for large companies who want to partner with them as social venture fund providers.

### 2.4.1 Examples of Social Enterprises doing CSR<sup>4</sup>

#### A. Spring Health

Spring Health has designed a low-cost model to operate a chain of safe water kiosks in Orissa, a largely rural state in northeastern India. Of the 325 million people living in rural Eastern India, an estimated 80% have no access to safe drinking water.

While there is a growing movement in India to provide clean water through community water systems, most companies require high capital costs (\$10,000-\$50,000) to build plants with larger delivery capacity (12,000-65,000 liters/day).

Spring Health uses liquid chlorine to disinfect water at the point of distribution and then sells to rural consumers at affordable prices. The company uses a motorcycle-based distribution system to deliver liquid chlorine doses into cement water tanks constructed outside of existing retail shops in rural communities. Local shop owners pump water into the tank from shallow wells, sell the water in 10-liter branded containers, and share the revenue with Spring Health.

The company plans to provide safe drinking water to five million people through 10,000 village shops within three years, and to provide safe drinking water to more than 100 million people through shops in 400,000 villages around the world within ten years.

<sup>4</sup>Information for Spring Health and IDE case studies has been sourced from the relevant sections of the respective websites and from "The Business Solution to Poverty" by Paul Polak and Mal Warwick. pp. 152-174.

The founder of Spring Health mentions, *“Don’t look at poor people as alms seekers or bystanders to their own lives. They’re your customers. Always set out by purposefully listening to understand thoroughly their lives – their needs, their wants, their fears, their aspirations.”*

Because of Spring Health’s kiosk, each village entrepreneur is able to earn an extra Rs.50, thus increasing his income by anything in the range of 50% - 200%. The initial estimate is that a family can significantly save Rs.1250-12,500 a year, which they would otherwise pay per person to treat the illnesses they get from drinking contaminated water.

## **B. Bala Vikasa Water Purification Program**

Although initiated and managed by a non-profit organization, Bala Vikasa (BV) Community Water Purification Program is a good social enterprise model for sustainable community development. It could be considered as a hybrid model of social enterprise with ‘non-for-profit’ and ‘for-profit’ characteristics.

Bala Vikasa Water Purification Program, first, motivates the Communities to contribute 20% of the purification machine cost to ensure their ownership, which is essential for project sustainability. This contribution is paid without fail by individual families in the form of membership fee between Rs.200 to 300 per family to the project; the other required components such as a room for machine installation, raw water supplying

borewell and electric motor are provided by the local Gram Panchayat (village administrative bodies). Approximately 60% of the total initial cost of the project is contributed by the community. The remaining 40% is provided as a grant by BV.

For each Water Purification Project, the villagers elect a ‘Water Committee’. Trained by BV, this Committee is responsible for the management and the maintenance of the project. Since it is owned and managed by the community, the project is able to provide safe drinking water at an affordable price of Rs.2 per 20 liters compared to Rs.15 to 20 in the local market. This minimal price gives access to safe water to all, even to the poorest of the poor in the village.

As of 2014, the successful Water Purification model of BV has spread to approximately 600 villages in Andhra Pradesh benefitting approximately 1.4 million rural poor. The Bala Vikasa model is already introduced in the state of Maharashtra and ready to expand to all neighboring states.

Some of the project committees who are active at the village level are not just limited to the management of the village water purification project. They also initiate community development activities and prepare to build model communities. Some of the initial project villages who have procured sufficient profits for ensuring project sustainability are now contributing the profits obtained from the Water Purification project for community development initiatives such

as tree plantation, street lights, etc. Some villages are providing small donations to Bala Vikasa to set up similar plants in other villages.

The water plants spread over 600 villages are coming under a newly formed federation of Bala Vikasa Community Water Plants. This federation will facilitate the Water Purification Project villages to procure quality spare parts for the repair of their Water Purification Systems and for technical maintenance services at a better price. Furthermore, the federation will serve as a platform to voice the concerns of the Water Purification Plant users to government and get further benefits to the project such as negotiating for low tariffs of power supply to community water plants.

### **C. IDE**

Another example of creating a social impact is by IDE. IDE is an international NGO with a unique market-based approach to poverty reduction. IDE helps to build profitable enterprises and value chains that deliver sustainable social and economic benefits to the rural poor, enabling them to increase their income and improve their quality of life. IDE works primarily in rural areas, where the majority of Cambodia's poor live, and in two sectors that are critical for rural livelihoods: agriculture, and water and sanitation.

IDE promotes Hydrologic Social Enterprise that has low-cost products for water purification. The products are built

around Ceramic Water Purifiers (CWPs), which have set the standard for cost-effective water treatment in developing countries for the past 30 years.

Untreated water and poor sanitation cause an estimated 10 million cases of diarrhea and 10,000 deaths each year in Cambodia. Most are children under the age of five, who come from rural areas. There, less than 5% of people have piped water, and available water sources are often contaminated. Such water can be made safe to drink by boiling it, using wood or charcoal as fuel. But this carries an environmental cost, because Cambodia has one of the highest rates of deforestation in the world.

Since 2001, IDE has manufactured and promoted ceramic filters as a low-cost alternative way to provide clean drinking water in rural Cambodia. Production has increased rapidly since 2010 through the IDE subsidiary, Hydrologic Social Enterprise. Hydrologic manufactures filters and sells them to NGOs through retailers and, increasingly, directly in villages through trained sales agents.

The water filters are targeted at households earning between US\$1 and US\$5 per person per day. The various water filter models currently retail for about US\$13.50 and US\$23.50, respectively, with replacement ceramic pots available for US\$5.50.

For village sales, VisionFund loans for water filters are charged at 2.8% per month for 6 months, and the VisionFund

agent visits each month to collect payments.

NGO programs usually subsidize the cost of filters, although Hydrologic encourages them to make some charge to users, since 'give-aways' can undermine local markets, and the filters themselves tend to be less valued and thus less well used.

## **2.5 Conclusion**

In every form of enterprise, whether small and medium, social or large in nature, there is potential to create positive social impact within and outside the enterprise. Overall, the CSR experiences shared here highlight different approaches used by companies to make a meaningful contribution to the society. As CSR approaches mature within companies, BV intends to take its learning about the Community Driven Development approach to them.

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Bala Vikasa is a secular, non-partisan, non-profit organisation working in the field of community driven development and capacity building for the last 35 years, mainly in Andhra Pradesh. Its Entrepreneurship and Social Responsibility Training Center provides comprehensive support in the form of knowledge and tools to corporates and entrepreneurs with the aim of equipping them to actively participate in the sustainable developmental process towards a better society.

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ISBN 978-93-83190-01-0

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