

CSR and Global Compact: The Indian Perspective

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In India, Global Compact (GC) is accepted with great appreciation and has achieved large participation that enabled it to create an advanced network structure. However, GC failed to involve all business houses into its network due to the partial acceptance of multi-stakeholder approach. Apart from this, non-communicating and non-reporting behavior of the participants was observed and analyzed in detail in the paper. Several reasons like lack of resources with firms, lack of understanding the need and importance of the initiative while implementing into the core business processes, and change in the upper-level management which may lead to the discontinuation of existing Corporate Social Responsibility (CSR) policies were identified for the non-responsive behavior of participating firms. Inconsistent records of local networks and non-responsive nature of Indian networks were also found to be the problem areas of GC that must be looked into by UN. The paper focuses on the firms' commitment and sincerity towards GC principles. It assesses and highlights the actual growth rate of Indian CSR agenda while associating with GC.

Introduction

Over the last decade and a half, we have seen a revolutionary shift in the relationship of private sector with the state and civil society. The prospects of consumers, employees, investors, partners and local communities in the context of the functions of businesses in the society and towards the society are rapidly changing. Every small- or large-scale firm has its stakeholders with both positive and negative encroachments in the society. Globalization has highlighted the strategic concern of stakeholder relationship, brand rapport and other such issues which have become crucial for conducting the business ethically and morally. The presence of roadblocks to global trade and investment has led to a more structured, integrated and interdependent paradigm of international trade. Globalization, privatization and liberalization have drafted new lines between the state and the market that have changed the private sector, which is expected to contribute towards the civil society. The relationship between firms and the civil society is continuously moving from traditional philanthropy to the reassessment of the purposes, rights and obligations of business to the society. Enormous propagation of Corporate Social Responsibility (CSR) thought and its uses have been prompting the firms to adopt a code of conduct of social responsibility. Today, the common goal of the domestic and international business community seems to be bringing forth wealth in a socially and environmentally responsible way.

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CSR – A Concept

CSR, which is nowadays associated with several terms and phrases like corporate responsibility, corporate accountability or ethics, corporate citizenship, triple bottom line, and Environmental Social and Governance (ESG) norms, is becoming progressively integrated into advanced business patterns and exercises. There is an upcoming trend of referring to it as ‘responsible competitiveness’ or ‘corporate sustainability’. Defining CSR is elusive, as it is a dynamic and ever evolving concept (Pinkston and Carroll, 1996). There is no unanimity among the researchers on what CSR is and what the corporate or business entities need to do to fulfill their social responsibilities.

CSR apparently is divided into two broad approaches—micro and macro. Under the micro approach, every company is expected to consider the social obligations and contribute generously towards their fulfillment. Under this approach, each business unit at the micro level must come forward, along with the government and other such entities, and work for social advancement. Theorists like Ackerman and Carroll believe in the micro approach and advocate the individual responsibility of business units towards the society. Contrary to this, the believers in the macro approach of CSR reject the concept of individual responsibility of business units towards society and advocate that it is the government, not business units, that should work on social welfare programs and achieve the country’s social goals. Theorists like Milton Friedman and Theodore Levitt are the proponents of this approach, who advocate and highlight that the business unit has nothing to do with social objectives and must concentrate only on the economic responsibilities. The concept coined by Milton Friedman, no doubt, gained ground in the earlier times, but in the changing scenario, micro approach is being accepted by the business globally, and social objectives have received attention of business strategists, who believe that expenditure on social issues is not an expense but investment, the benefits of which will certainly accrue to them in future.

Milton Friedman proposed a general (macro) CSR theory, stating that the only responsibility of business (corporate) is to use its resources and perform activities that would increase profits within the rule of the game. He was of the view that if managers spend corporate funds for social purposes, they are essentially stealing from the share of stockholders (Friedman, 1962). While Cadbury (2006) opposed it saying that ‘rule of the game’ is a deceptive term used by Friedman, as these rules are set by the society externally. Levitt (1958) also took a similar line, dreading that the business might come to overshadow the society in case social issues gain importance in the agenda of business firms.

On the contrary, another group of researchers argues that business exists to serve the society that draws numerous benefits from it. Ackerman and Bauer (1976) observed that corporate social endeavor must be responsive and proposed three phases of management through which firms generally move to respond to social issues. Supporting this viewpoint, Carroll (1979) argued that the social responsibility of the business encompasses the economic, legal, ethical, and discretionary expectations of the society at a given point in time. This pole of discussion is also considered ‘self-regulation’ of the business, where it is decided that up to what extent companies can engage themselves in CSR issues (Chahoud

et al., 2007). CSR is fundamentally an ethical concept which has direct concern with quality of life in the society and calls for social dimensions of business activity. It awakens the business to its social obligations and serving the interest of the society in return for the multifarious positives it draws from the society. Business units must come forward to contribute more than economic services, as the word 'responsibility' has a wider significance and implies that the business carries a larger obligation towards the society than mere provision of economic activities.

CSR in India

In India, CSR is not a new phenomenon. It is essentially an ethical concept revolving around the governments as well as private organizations (Sharma and Talwar, 2005). This actually motivates organizations to think broadly about their obligations towards the society in which they operate rather than just maximizing shareholders' value or profits. Micro and macro approaches of CSR are quite prevalent in India too. Two large and famous business groups, Tata group and Reliance Industries, that account for a sizable chunk of the total business activity in India follow diverse approaches towards CSR. The Tata group follows micro approach and strengthens its campaign about social responsibility of the business through pro-CSR initiatives. J R D Tata, who has been instrumental in conducting the first social audit in India, remarks, "While profit motive, no doubt, provides the main spark for any economic activity, any enterprise which is not motivated by the consideration of urgent services to the community becomes outmoded soon and cannot fulfill its real role in the modern society." Inspired by the pro-CSR initiatives of the Tata group, many public and private sector companies have also started contributing generously to promote social objectives. On the other hand, Reliance Industries believed in the macro approach towards CSR. Reliance management propounds a belief that business objectives are only economic and that the firms must concentrate on producing and delivering quality goods and services at reasonable prices. If they succeed in doing so, they may be considered to have provided the best service towards the society rather than indulging in the so-called social issues. Dhirubhai Ambani, the former chairman of the Reliance group, declared that "As an industrialist, my job is to produce goods to satisfy the demand. Let us be clear about it. Every one has to do his job. My commitment is to produce at the cheapest price and the best quality. If you dabble in everything then you make a mess of things. If we cannot take care of our shareholders and employees and start worrying about the world, then that is hypocrisy." But the followers of Reliance group philosophy are few, and many firms have changed their mindset. Even the Reliance group has shifted from macro approach to micro in the recent times. Along with economic responsibilities, they have started accepting the social goals and contributing towards social welfare programs, which happen to be a long-cherished tradition in India, barring a few believers in the macro approach.

India has the world's richest tradition of CSR which mainly focuses on two aspects, i.e., philanthropic activities and community development for national growth. Known as charity earlier, CSR has changed its conception and shifted its nature through different stages of development, which are explained next.

While growing with the pace of industrialization, the first stage of CSR in India was characterized by cultural and religious values, family customs, and traditions and community donations. In other words, it was essentially charity and philanthropy. During the period 1914-1960, while the country was fighting for independence, the Gandhian theory of 'Trusteeship' influenced business operations to unite and amplify the social development and reforms process (Chahoud *et al.*, 2007). Indian Industrialists participated in nation-building programs by establishing institutes of scientific and technical learning, known as 'Temples of Modern India', and supported the country to be independent through indigenous manufacturing and the creation of occupations (Gupta, 2007). Under the paradigm of 'mixed economy' during the period 1960-1980, with growth of PSUs and copious legislations on labor and environmental standards, India pushed strict legal and public regulations on private sector business activities (Chahoud *et al.*, 2007). However, public sector, which was viewed as the prime driver of growth, witnessed very limited growth. In the 1980s, the growing influence of multinational companies in India propagated CSR to emerging numbers of new channels of production, labor and marketing worldwide. Thus, Indian firms have embraced some of the universal CSR thoughts, but with their own features rooted in Indian culture. The models of CSR indicated in Table 1 existed in the Indian scenario concurrently where business firms followed all four approaches. However, the liberal approach has lost its sheen in the modern times, when firms have adopted multi-stakeholder approach proactively and accepted and implemented the micro approach of CSR.

Table 1: Important CSR Models		
Model	Focus	Champions
Ethical	Voluntary commitment of companies to public welfare	M K Gandhi
Statist	State ownership and legal requirements determine corporate responsibility	Jawaharlal Nehru
Liberal	Corporate responsibility limited to private owners (shareholders)	Milton Friedman and Theodore Levitt
Stakeholders	Companies respond to the needs of stakeholders—consumers, employees, communities, etc.	R Edward Freeman, Robert Ackerman and Archie B Carroll
Source: Adapted from "Altered Images: The 2001 State of Corporate Social Responsibility in India Poll", TERI, Europe		

After the 1980s, conventional philanthropic participation gradually diminished in India and stakeholder and multi-stakeholder approach came into domination. Under this approach, businesses started recognizing the interest of multi-stakeholders, including society, and expanded their horizon. However, the multi-stakeholder approach was quite immature due to the rare interactions among businesses, Civil Society Organizations (CSOs) and trade unions. With the emergence of United Nations Global Compact, the multi-stakeholders approach gained momentum and recognition when firms aggressively participated in the compact.

Global Compact of United Nations¹ – A Multiple Stakeholders Model

On January 31, 1999, while addressing World Economic Forum in Davos, the then Secretary-General of the United Nations (UN), Kofi Annan, challenged the Chief Executives of large business entities to join in a Global Compact (GC) of shared values and principles which will give a human face to the global market through a 'creative partnership' between the UN and the private sector. Pursuant to this, on July 26, 2000, the GC was formally launched by UN in partnership with the International Chamber of Commerce (ICC). UNGC is an initiative to encourage corporate entities worldwide to adopt sustainable and socially responsible policies and to report their implementation. Under the GC, companies are brought together with UN agencies, labor groups and the civil society. The GC is a purely voluntary initiative with twin objectives 1) mainstreaming the ten principles² in business activities around the world; and 2) catalyzing actions in support of broader UN goals propounded as the Millennium Development Goals (MDG)³. The GC seeks to achieve its MDGs through a multi-stakeholder network, which supports the development of CSR with collective learning, policy dialogue and partnership projects at global and local levels (Chahoud *et al.*, 2007).

Global Compact – India

In India, the GC was accepted at a high-level meeting of business leaders in Mumbai on December 4, 2000. The structure of the GC in India formally consists of Global Compact Society (GCS). Besides GCS, there is another association, the Indian Partnership Forum (IPF), in India, which is also focusing on CSR. IPF, which was founded by the United Nations Development Program (UNDP) and Confederation of Indian Industry (CII) in 2001, has no formal association with GC, but promotes a similar idea. IPF acts as a forum for multi-stakeholder dialogue for promoting CSR in India, developing social code for business, operationalizing the GC principles and providing more specific guidelines and supporting national network development. GCS is only concerned with the networking of GC participants, while IPF promotes CSR in general.

GCS was formally launched and registered in New Delhi, in November 2003, as an all India forum, and 41 Indian organizations from public and private sector, professional bodies and institutions joined as founding members, and a governing committee was formed. As on January 2010, about 117 organizations from India had joined the compact. As a non-profit body, GCS acts as an apex level nodal agency, representing various Indian corporate bodies, networks, institutions/organizations to provide a forum for exchange of experiences and for working together on activities related to CSR to promote sustainable growth and encourage good corporate citizenship.⁴

¹ United Nations Global Compact or Global Compact both refer to the same body and will be used as UNGC or GC hereafter.

² The base of GC is formed by its 10 principles which are broadly grouped into four broad categories pertaining to protecting human rights, adhering to labor standards, saving environment and eliminating corruption, which the companies must pursue within their sphere of influence (www.unglobalcompact.org/aboutthegc).

³ Millennium Development Goals (MDGs) are ambitious targets that the world has set for slashing poverty, hunger, disease, illiteracy and other social ills by 2015. On November 1, 2007 the UN, along with Google and Cisco, launched a web application to track real-time progress of every country toward the MDGs in several categories (endpoverty2015.org).

⁴ Available at www.globalcompactindia.org

With a view to understanding the pace and extent of CSR expenditure being incurred by firms in India, we studied the performance of 20 firms (10 from those associated with UNGC and 10 non-UNGC associated firms) for a period of 10 years (1999-2008). CSR expenditure was seen as the proportion of sales turnover and Profit After Tax (PAT) of the firms reviewed. As presented in Tables 2 and 3, we saw very interesting results. Firms not associated with UNGC have spent more on CSR-related activities over the past 10 years, as compared to those associated with UNGC. CSR expenditure, as a percentage of sales, ranges between 0.14% and 2.8% in the case of non-UNGC firms, whereas it ranges between 0.01% and 2.98% for UNGC associated firms. Similarly, CSR expenditure as a percentage of PAT ranges between 2.3% and 362% in the case of non-UNGC firms, whereas it ranges between 0.4% and 185% for UNGC associated firms. As the advocates of CSR concept argue that every firm must spend a minimum of 0.2% (www.karmayog.org/csr/) of its income on CSR-related activities; from that perspective, the performance of Indian firms may be judged as satisfactory to excellent. These trends convey a signal that the CSR concept has been popular even before the emergence of UNGC, and even today without the support and recognition of UNGC, firms are generously contributing towards CSR activities. The better performance of non-UNGC firms vindicates the contention. It is further more interesting that firms that are incurring losses at the end of the operating year have continued to donate and spend on social welfare programs. But still, the importance of UNGC cannot be denied as it may boost the spirit and regulate the implementation of CSR-related programs in the member countries in a better and coordinated manner.

Literature Review

Significant studies have been conducted as assessments of GC worldwide over various issues (Williamson, 2003; McKinsey & Company, 2004; Kranz, 2006; Utting and Zammit, 2006; Cetindamar and Husoy, 2007; Dubee, 2007; Mwangi and Schmitz, 2007; and Nagler, 2007). Since the day it was born, the impact of GC on business firms, NGOs, CSOs and individuals has been growing. "GC has actually changed the attitude of UN towards the private sector and established an innovative multi-stakeholder governance structure. Not only this, it has developed a global network having strong participants with more responsible practices and public accountability of firms" (Nagler, 2007).

"GC has established itself as an important voice in the corporate citizenship chorus" with its firm roster of participants and active local networks. It provides significant drift for corporate shift, while promoting inclusive globalization through "catalyzing collaboration among companies, the UN, civil society and governments" (McKinsey & Company, 2004). Although the purposes of business and the UN are different, their objectives do overlap and the compounding mutualities assist in determining the more liberal faces of business responsibility (Dubee, 2007). It is quite typical to explore the financial benefits of CSR towards organizations and broader scenario of business. The way CSR affects business practices and activities in economic, environmental and social decisions of firms, is again a question of assessment. Utting and Zammit (2006) looked at the implications of business partnerships with the UN for comprehensive and equitable growth. Their study found that economic growth, resource distribution and decision-making operations cause "reducing social and income

Table 2: CSR Expenditure by the Firms Not Associated with UNGC															
(Rs. in mn)															
Firm	Dabur India Ltd. Industry: Personal Care – India – Large			Grasim Industries Ltd. Industry: Diversified – Mega			Hindalco Industries Ltd. Industry: Aluminium			Aditya Birla Nuvo Ltd. Industry: Textiles – Rayon			Dr. Reddy's Laboratories Ltd. Industry: Pharmaceuticals – Indian – Bulk Drugs and Formula – Large		
Year End	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT
2008	130.60	21,177.90 (0.6%)	3,167.70 (4.1%)	538.30	116,279.20 (0.5%)	22,326 (2.4%)	1,057.20	208,082.30 (0.5%)	28,609.40 (3.7%)	212.50	40,994.80 (0.5%)	2,430.70 (8.7%)	528.20 (1.5%)	34,497.10 (1.1%)	4,752.20
2007	60.80	16,373.60 (0.4%)	2,520.80 (2.4%)	335.90	96,092.40 (0.3%)	15,358.10 (2.2%)	718.10	197,019.90 (0.4%)	25,643.30 (2.8%)	139.70	35,548.40 (0.4%)	2,249.70 (6.2%)	378.40	40,453.20 (0.9%)	11,768.60 (3.2%)
2006	252.80	13,696.80 (1.8%)	1,890.80 (13.4%)	236.00	76,384.10 (0.3%)	8,632.10 (2.7%)	639.40	122,019.90 (0.5%)	16,555.50 (3.9%)	101.90	27,717.50 (0.4%)	1,869.30 (5.5%)	279.70	21,045.70 (1.3%)	2,111.20 (13%)
2005	216.50	12,687.20 (1.7%)	1,480.20 (14.6%)	299.60	72,010.60 (0.4%)	8,857.10 (3.4%)	630.80	102,951.20 (0.6%)	13,293.60 (4.7%)	87.90	19,663.70 (0.4%)	1,137.20 (7.7%)	319.40	16,267.80 (2.0%)	654.60 (49%)
2004	201.00	11,479.80 (1.8%)	1,012 (19.9%)	440.40	61,299.50 (0.7%)	7,792.60 (5.7%)	395.80	65,637.50 (0.6%)	8,389.30 (4.7%)	80.50	16,832.60 (0.5%)	1,312.80 (6.1%)	233.10	17,402 (1.3%)	3,920.90 (5.9%)
2003	252.60	12,323 (2.0%)	851 (29.7%)	411.50	54,122.80 (0.8%)	3,675.80 (11.2%)	367.70	52,863 (0.7%)	5,821.40 (6.3%)	66.90	15,572.20 (0.4%)	1,053.30 (6.4%)	212.40	15,983.30 (1.3%)	4,596.50 (4.6%)
2002	227.30	11,631.90 (2.0%)	644.40 (35.3%)	436.80	50,698 (0.9%)	3,029.60 (14.4%)	291.40	26,406.40 (1.1%)	6,860 (4.2%)	67.30	15,149.40 (0.4%)	434.60 (16%)	194.30	15,657.40 (1.2%)	1,444.70 (13.4%)
2001	166.20	11,664.70 (1.4%)	779.20 (21.3%)	441.60	51,839.20 (0.9%)	3,779 (11.7%)	265.00	25,615.50 (1.0%)	6,780.80 (3.9%)	73.20	14,852.20 (0.5%)	685.20 (11%)	121.50	9,841.10 (1.2%)	603.20 (20%)
2000	245.20	10,425.90 (2.4%)	774.30 (31.7%)	432.70	49,823.20 (0.9%)	2,331.20 (18.6%)	277.80	22,894.90 (1.2%)	6,123.70 (4.5%)	63.10	11,511.20 (0.5%)	-2,412.20 (-2.6%)	59.00	4,930.20 (1.2%)	517.60 (11.4%)
1999	168.60	9,147.70 (1.8%)	501 (33.7%)	398.20	43,250.80 (0.9%)	1,638 (24.3%)	216.70	20,047.70 (1.1%)	5,667.90 (3.8%)	76.50	14,469.60 (0.5%)	1,060.50 (7.2%)	46.50	4,258.60 (1.1%)	488.40 (9.5%)

Table 2 (Cont.)

Firm	Elecon Engineering Company Ltd. Industry: Engineering – Heavy – Material Handling			Oriental Carbon & Chemicals Ltd. Industry: Carbon Black			Birla Corporation Ltd. Industry: Cement – Major – North India			Bharat Petroleum Corporation Ltd. Industry: Refineries			L G Balakrishnan & Bros Ltd. Industry: Engineering – Light – General – Large		
	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT
Year End															
2008	34.10	9,503.80 (0.4%)	672.10 (5.1%)	5.70	966.70 (0.6%)	16.20 (35%)	114.00	19,934.10 (0.6%)	3,935.70 (2.9%)	2,032.50	1,216,840.70 (0.2%)	15,805.60 (13%)	41.10	6,166.10 (0.7%)	148.60 (28%)
2007	27.10	8,394.60 (0.3%)	549 (4.9%)	6.30	691.20 (0.9%)	28.90 (22%)	75.10	17,928.40 (0.4%)	3,262.30 (2.3%)	1,459.80	1,074,522.70 (0.1%)	18,054.70 (8.1%)	34.10	5,384.10 (0.6%)	229.60 (15%)
2006	7.10	5,077.40 (0.1)	278.80 (2.5%)	4.80	582.80 (0.8%)	38.30 (13%)	59.00	14,315.60 (0.4%)	1,257.60 (4.7%)	1,566.10	851,496.20 (0.2%)	2,916.50 (54%)	29.80	4,697.50 (0.6%)	135.90 (22%)
2005	5.00	3,549.80 (0.1%)	100.30 (5.0%)	5.00	489.90 (1.0%)	24.10 (21%)	58.00	13,349.40 (0.4%)	868.70 (6.7%)	1,479.60	638,570 (0.2%)	9,658 (15.3%)	25.60	4,083.60 (0.6%)	164.90 (16%)
2004	3.60	1,876.80 (0.2%)	21.70 (16.6%)	4.80	435.80 (1.1%)	12.90 (37%)	143.10	11,667.70 (1.2%)	415.60 (34.4%)	1,189.60	534,483.60 (0.2%)	16,945.70 (7.0%)	21.40	2,983.40 (0.7%)	136.10 (16%)
2003	3.40	1,817.70 (0.2%)	17.30 (19.7%)	5.00	406 (1.2%)	9.70 (52%)	141.50	11,242 (1.3%)	41.90 (338%)	1,291.90	485,023.50 (0.2%)	12,500.30 (10.3%)	19.70	2,523.80 (0.8%)	95.50 (21%)
2002	5.70	1,366.80 (0.4%)	-14.70 (-38.8%)	4.60	333.20 (1.4%)	5.70 (81%)	141.10	11,239.10 (1.3%)	-7.60 (-1857%)	1,062.40	398,294.80 (0.2%)	8,498.30 (13%)	16.30	2,065.90 (0.8%)	65.40 (25%)
2001	6.20	1,423.80 (0.4%)	3.40 (182.4%)	7.70	746.40 (1.0%)	20.40 (38%)	138.40	10,213 (1.4%)	-131.30 (-105.4%)	770.90	459,320.70 (0.2%)	8,326.60 (9.3%)	14.80	1,949.20 (0.8%)	65 (23%)
2000	7.30	1,698.40 (0.4%)	34 (21.5%)	9.50	1,178.70 (0.8%)	-32.90 (-28.9%)	128.80	10,118.40 (1.3%)	-383.60 (-34%)	738.00	333,846.80 (0.2%)	7,038.60 (11%)	13.70	1,722.50 (0.8%)	36.60 (37.4%)
1999	7.20	1,972.90 (0.4%)	86.20 (8.4%)	9.40	1,140.40 (0.8%)	2.60 (362%)	127.30	8,733 (1.5%)	-536.20 (-24%)	517.80	215,997.70 (0.2%)	7,012.40 (7.4%)	12.60	1,673.50 (0.8%)	47.50 (26.5%)
Note: Figures in the parentheses are % of CSR expenditure, sales and Profit After Tax (PAT) respectively.															
Source: Capital Line															

Table 3: CSR Expenditure by the Firms Associated with UNCC

Firm	Reliance Industries Ltd. Industry: Refineries			Voltas Ltd. Industry: Diversified – Mega			Infosys Technologies Ltd. Industry: Computers – Software – Large			Tata Chemicals Ltd. Industry: Fertilizers – Phosphatic – Single Super Phosphate			Indian Oil Corporation Ltd. Industry: Refineries		
Year End	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT
2008	3,066.2	1,392,694.60 (0.22%)	194,582.90 (1.58%)	137.10	30,861.70 (0.44%)	2,083.70 (6.58%)	550.00	156,480 (0.35%)	44,700 (1.23%)	262.80	42,071.30 (0.62%)	9,491.80 (2.8%)	4,633.80	2,703,460.10 (0.17%)	69,625.80 (6.7%)
2007	2,285.4	1,183,537.10 (0.19%)	119,434 (1.91%)	168.00	24,507.80 (0.69%)	1,860.80 (9.03%)	580.00	131,490 (0.44%)	37,830 (1.53%)	189.30	41,070.80 (0.46%)	4,442.10 (4.3%)	3,528.30	2,382,965.40 (0.15%)	74,994.70 (4.7%)
2006	1,275.2	891,244.60 (0.14%)	90,693.40 (1.41%)	111.80	19,041.80 (0.59%)	704.90 (15.86%)	330.00	90,280 (0.37%)	24,206.30 (1.36%)	168.80	36,382.30 (0.46%)	3,530.30 (4.8%)	2,912.30	1,928,175.30 (0.15%)	49,151.20 (5.9%)
2005	1,464.5	731,641 (0.20%)	75,716.80 (1.93%)	102.10	14,414.30 (0.71%)	504.10 (20.25%)	388.40	68,600 (0.57%)	19,043.80 (2.04%)	138.90	30,979.10 (0.45%)	3,405.50 (4.1%)	3,417.30	1,536,047.80 (0.22%)	48,913.80 (6.99%)
2004	1,319.9	562,470.30 (0.23%)	51,601.40 (2.56%)	103.20	13,299.40 (0.78%)	390.30 (26.44%)	282.60	47,608.90 (0.59%)	12,434.70 (2.27%)	116.70	26,327.90 (0.44%)	2,205.30 (5.3%)	3,485.70	1,340,843.70 (0.26%)	70,048.20 (4.98%)
2003	1,285	500,958.10 (0.26%)	41,043.10 (3.13%)	94.10	12,304.10 (0.76%)	255.80 (36.79%)	146.20	36,226.90 (0.40%)	9,579.30 (1.53%)	91.60	16,124.20 (0.57%)	1,965.80 (4.7%)	2,797.90	1,241,596.10 (0.23%)	61,148.90 (4.58%)
2002	1,018	454,038.80 (0.22%)	32,427 (3.14%)	94.60	9,406.60 (1.01%)	168.30 (56.21%)	112.10	26,035.90 (0.43%)	8,079.50 (1.39%)	83.90	13,871 (0.60%)	1,268.20 (6.6%)	2,524.10	1,151,521.50 (0.22%)	28,846.60 (8.75%)
2001	897.1	230,241.70 (0.39%)	26,456.20 (3.39%)	103.20	8,537.20 (1.21%)	55.80 (185%)	157.90	19,005.70 (0.83%)	6,288.10 (2.51%)	95.10	14,700 (0.65%)	1,649.50 (5.8%)	2,091.10	1,226,034.50 (0.17%)	27,203.30 (7.7%)
2000	788.5	158,471.60 (0.50%)	24,032.50 (3.28%)	111.20	8,243.40 (1.35%)	55 (202.2%)	89.70	8,823.30 (1.02%)	2,935.20 (3.06%)	104.90	15,134.20 (0.69%)	1,172.90 (8.9%)	2,057.50	960,075.80 (0.21%)	24,434 (8.42%)
1999	629.7	106,241.50 (0.59%)	17,036.90 (3.70%)	135.50	9,842.80 (1.38%)	127.90 (106%)	69.60	5,088.90 (1.4%)	1,352.60 (5.15%)	83.70	14,530.90 (0.58%)	1,816.70 (4.6%)	1,146.30	637,614 (0.18%)	22,135.20 (5.18%)

Table 3 (Cont.)

Firm	NTPC Ltd. Industry: Power Generation & Supply			Steel Authority of India Ltd. Industry: Steel – Large			Chennai Petroleum Corporation Ltd. Industry: Refineries			Bharat Heavy Electricals Ltd. Industry: Electric Equipment – General – Large			Hindustan Petroleum Corporation Ltd. Industry: Refineries		
	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT	CSR Expenditure	Sales Turnover	PAT
Year End															
2008	3,204.00	371,985 (0.86%)	74,148 (4.32%)	3,367.70	459,853.60 (0.73%)	75,367.80 (4.47%)	254.10	330,365.70 (0.08%)	11,229.50 (2.26%)	3,333.50	217,265.70 (1.53%)	28,593.40 (11.7%)	185.30	1,130,008.40 (0.02%)	11,348.80 (1.63%)
2007	2,379.00	327,565 (0.73%)	68,647 (3.5%)	2,582.20	394,818 (0.65%)	62,022.90 (4.16%)	129.50	294,093 (0.04%)	5,652.70 (2.29%)	5,668.70	190,161.80 (2.98%)	24,147 (23.5%)	145.60	976,471.30 (0.01)	15,711.70 (0.93%)
2006	2,214.00	268,597 (0.82%)	58,202 (3.8%)	1,848.80	326,868.90 (0.57%)	40,129.70 (4.16%)	138.30	254,656.80 (0.05%)	4,809.60 (2.9%)	2,440.35	147,405.90 (1.7%)	16,791.60 (14.5%)	89.10	774,849.30 (0.01%)	4,056.30 (2.20%)
2005	2,132.00	226,991 (0.94%)	58,070 (3.7%)	2,894.60	320,238.70 (0.90%)	68,169.70 (4.25%)	162.30	163,051.30 (0.10%)	5,969.70 (2.72%)	1,979.79	105,594.30 (1.9%)	9,534 (20.8%)	211.30	656,809.30 (0.03%)	12,773.30 (1.7%)
2004	1,658.00	188,343 (0.88%)	52,608 (3.2%)	2,918.70	241,370.20 (1.21%)	25,120.80 (11.62%)	123.20	94,797.60 (0.13%)	4,000.50 (3.08%)	2,099.37	88,661.30 (2.4%)	6,581.50 (32%)	73.30	578,270.70 (0.01%)	19,039.40 (0.4%)
2003	1,534.00	190,206 (0.81%)	36,075 (4.1%)	3,071.60	192,620.20 (1.59%)	-3,043.10 (-101%)	106.40	86,425.50 (0.12%)	3,028.80 (3.51%)	1,547.61	76,689.10 (2.02%)	4,445.10 (34.8%)	119.90	544,742.80 (0.02%)	15,373.60 (0.78%)
2002	1,569.00	178,825.20 (0.88%)	35,396.20 (4.43%)	1,072.70	156,307.90 (0.69%)	-170.890 (-6.3%)	125.10	62,864.70 (0.20%)	637.10 (19.6%)	1,425.95	74,659 (1.9%)	4,679.50 (30.5%)	80.80	446,007 (0.02%)	7,879.80 (1.03%)
2001	1,059.90	190,451.30 (0.56%)	37,338 (2.84%)	1,038.10	163,334.60 (0.64%)	-7,286.60 (-14.3%)	144.00	71,472 (0.20%)	1,224.30 (11.8%)	1,291.16	65,795.60 (1.96%)	3,126.10 (41.3%)	139.30	486,173.90 (0.03%)	10,880.10 (1.3%)
2000	1,052.80	161,017.50 (0.65%)	34,245.30 (3.1%)	1,027.30	162,653.10 (0.63%)	-17,200.20 (-6%)	156.40	55,211.10 (0.28%)	1,431.40 (10.9%)	1,671.60	68,441.40 (2.44%)	5,994.40 (27.9%)	189.50	338,461.60 (0.06%)	10,574.10 (1.8%)
1999	742.10	140,573.70 (0.53%)	28,157.30 (2.7%)	1,006.30	150,597.60 (0.67%)	-15,736.60 (-6.4%)	114.00	37,473.90 (0.30%)	2,049.30 (5.6%)	1,030.00	69,970.40 (1.5%)	5,446.40 (18.9%)	49.00	239,310.30 (0.02%)	9,012.60 (0.54%)
Note: Figures in the parenthesis are % of CSR expenditure, sales and Profit After Tax (PAT) respectively.															
Source: Capital Line															

deprivation and inequalities, enhancing people's rights and empowering groups who historically have experienced marginalization and injustice."

Mwangi and Schmitz (2007) explored the reasons as to why MNCs join GC and concluded that "a more diversified and public ownership encourages the adoption of CSR measures, but may not necessarily increase the likelihood of membership in the GC". To understand the behavior of companies in accepting changes with regard to environmental impact and its relationship with the performance of companies, Cetindamar and Husoy (2007) conducted an empirical survey among the GC participants on their perception of "anticipation and actual benefits", which explored two aspects—'ethical and economical'—to contribute to sustainable economic development. They observed that the participants in GC expect to improve their ethical conduct and gain economically after associating themselves with the compact. Bandi (2007) opines that this initiative would only provide a superficial contribution to development, but not touch the unequal structures of the system. It would just serve as a PR to disguise the true goal of private enterprise, profit making. Her main critical concern is thus the nonbinding character of the membership. There is neither serious monitoring nor any kind of sanctions. In 2004, less than 60% members reported taking any action in compliance with the 10 principles. Eight Millennium Development Goals, as identified and accepted under global compact, aim at halving global poverty by 2015, compared to 1990. These goals have been accepted as a framework for assessing the level of development (Artadi and Martin, 2003). Jean and Vincent (2006) opine that UNGC epitomizes the current state of politics of international development in three distinct ways: first, that UN and business acknowledge the business and sustainable development as their common objective, followed by the concept of global governance and ongoing discussions about the GC attest to the competing world views that structure today's development debate. Overall, the compact says that the concept of international development remains a political rather than a technical issue and must be resolved with the joint support of business, governments and international organizations like the UN. Oliver (2007), while suggesting ways for improving the membership of companies in the compact, observes that there are 2,989 total member companies in the compact, constituting 48% European and 3% US companies. He further highlights that the fear of litigation and lack of awareness have been found to be the main reasons for lesser US companies joining the compact. Williams (2004), while trying to understand and highlight the causes of non-participation of US companies in the compact, also argued that accountability and the consequent litigation are some factors that prevent them from joining the initiative. He further suggests that US companies should come forward and join the compact and help shape its future.

Global compact has a strong gender equality mandate which has not been fulfilled, opines Kilgour (2007). She advances a number of reasons, including the lack of women's participation at many levels, the pervasive nature of women's inequality and the fact that it may not be in the interest of GC's signatories to address this inequality. Reith *et al.* (2007) argued that the trend to decentralize GC by establishing regional offices and local networks is an important step forward to spread the idea of CSR at the local level. They demonstrated this argument by using the example of GC in sub-Saharan Africa with a special focus on the

local networks in South Africa, Malawi and Mozambique. Hens and Helene (2009), while studying the impact of UNGC in telecommunication industry by studying the practices of three large telecommunication companies, have found that among many, GC is one initiative that propagates CSR, and its role at most is modest due to two reasons. Firstly, many of the CSR issues that these companies deal with are industry-specific and are hence addressed in specific networks. Secondly, the GC principles are perceived as minimum requirements that do not provide many incentives to the three companies under review to perform better. The analyses further indicate that a differentiation of norms for GC members is expected to enhance the contribution of GC to CSR strategy employment, not just for frontrunner companies but for other categories of companies as well. Bremer (2008), while examining the performance of GC, observed that GC has not yet achieved the 'critical mass' that its founders defined as essential to its success. It has enlisted only 3% of the world's largest firms and participation is heavily concentrated in Western Europe with growth in other industrialized and developing countries lagging behind. Compliance with the GC's 'modest' requirements remains low since less than half of all companies that joined before 2003 have achieved and maintained compliance'. On the contrary, Jorge and Francis (2008), while assessing the Global Compact's annual review-2007, observed that there has been a 50-fold growth in just seven years in both scale and impact by this type of private sector initiative unlike any other international collaborative partnership. However, its legitimacy, its operationality and efficiency for improving global governance still remain a challenge at large.

While trying to understand the diverse issues raised in the various studies listed above, one may observe that GC, though a serious and poise initiative of the UN, has been unable to make a difference and enhance the acceptance and application of CSR norms in the corporate world. The number of companies joining the Compact has been found to be more from Asia and Europe and less from the US, the reasons for which have also been highlighted in the above studies. Here, as a point of caution, we feel that the UN should certainly enhance the membership all around the world, but at the same time all efforts should be made to enhance the seriousness of member companies with regard to the observance and reporting of CSR initiatives to UN at regular intervals.

Available literature with respect to India and UNGC is almost nil, except for two important studies (Chahoud *et al.*, 2007; and Gupta, 2007). A significant report on the relationship of UNGC with India was prepared by Chahoud *et al.* (2007) that assessed the role of GC in forming corporate social and environmental conduct in India and analyzed a few significant subjects such as the global CSR agenda, traditions and current movements of CSR in India and functions and prospects of GC in India. Through an understanding of the relationship of GC with the Indian corporate world, this study also tries to explore several associated issues and attempts to bridge the gap. Gupta (2007) is of the view that there is certainly no lack of CSR programs and projects in India; however, clear metrics for evaluating their actual impact in improving social conditions are lacking. One quick indicator of the 95 supporters of the global compact from corporate India is that only one company has produced the annual communication on progress. The paper highlights the fact that most of the disclosures made by Indian firms about their CSR initiatives are highly descriptive and qualitative, lacking

the rigor of common, quantified performance information that characterizes the companies' financial accounts.

Rationale and Scope of the Study

The review of literature given in the preceding section highlights the importance of GC and its acceptance and applications worldwide and testifies to the various studies that have been conducted on this initiative globally. The GC principles are equally important for India's corporate world, and it cannot afford to isolate itself, as it is a part of the global community. Since its inception in India in 2000, very few companies have been able to gain and respond to this initiative and follow all the 10 or some of the principles of the compact. Some important studies by Chahoud *et al.* (2007) and Gupta (2007) tried to explore the relationship between UNGC and India. To propagate the concept of CSR and popularize it amongst the Indian business organizations, it is highly desirable to further examine the trend and progress of the role of GC. This poise initiative of the UN is capable of transforming the CSR approach, if accepted and implemented by businesses in letter and spirit.

The present paper attempts to examine the level of acceptability of this initiative by the Indian business and the detriments in its way, and suggests a rationale approach for the same. The paper considers a time period of eight years, from 2000 to 2007. The various indicators used are number of companies that joined GC, their adherence to the principles of GC and performance reporting to GC.

Objectives of the Study

- To assess the impact of the GC on the attitudinal change of Indian participants with regard to CSR.
- To assess the role of Indian participants in the GC and examine their responsiveness to the principles of this initiative.
- To examine the reporting behavior of Indian GC participants to UNGC.
- To analyze the network structure and its impact in propagating the GC principles.

Research Methodology

The data for the present paper was gathered mainly from secondary sources like various reports of GC participants, publications of GC and specialized surveys and research reports of various organizations like McKinsey, CDP, UNGC, UNDP and HSBC. To have a detailed idea about the participating members in GC from India, relevant information was gathered from different sources, including the websites of companies. Existing research studies conducted worldwide, papers and articles published in various journals and magazines (like *CSR-Asia* and *Corp Watch*) were extensively reviewed to understand the relationship of GC with different world economies in general and India in particular. Further, in order to gauge the importance of GC and the current state of CSR in India, the data collected from all sources was analyzed and interpreted accordingly.

Trends, Observations and Discussion

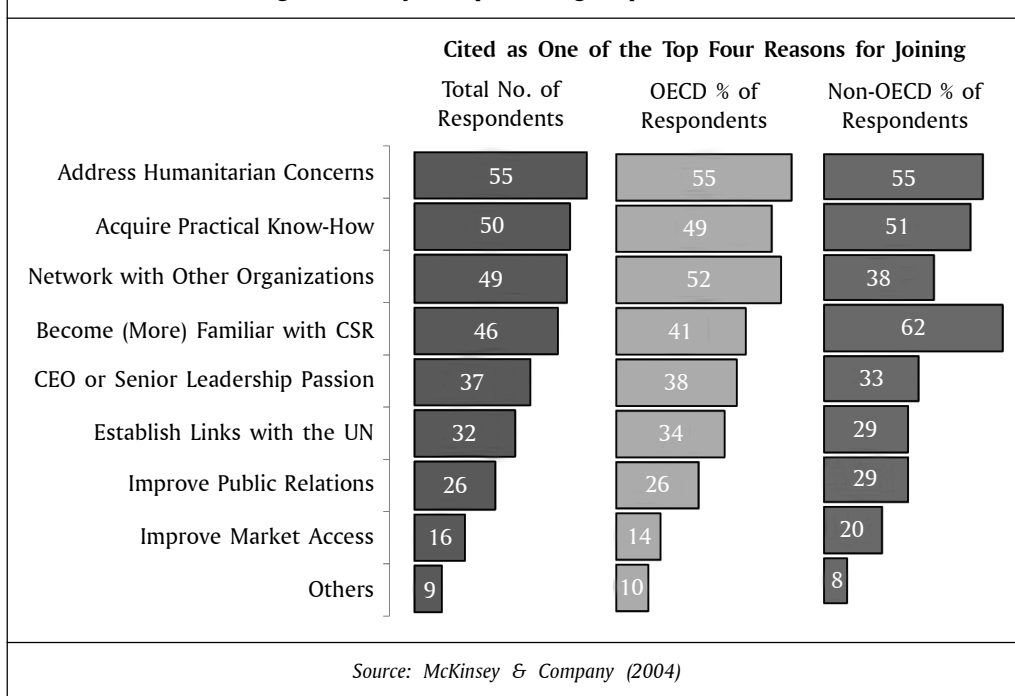
CSR and Attitudinal Change of Business

Several studies conducted world over keep on justifying the positive changes of general understanding and adoption of CSR. CSR shifts the organizations' risk not only from the point of view of dissatisfied stakeholders but also from the competitors' perspective. If CSR is implemented in letter and spirit, organizations may achieve the status of 'stress-free' entity. A recent survey on "Employees Value CSR" by Kenexa Research Institute identified that accepting CSR helps the firm in terms of "employment, brand building, creating an elevated sense of teamwork among employees, and helping to establish an emotional tie between the employees and the organization". This approach towards CSR helps in better recruitment, retention, motivation and building cooperation within the organization. In India, CSR is rooted in its culture and has a long tradition, but the focus of CSR activities is still on the core issues like community development and socio-environmental program rather than on the issues relating to human rights and anti-corruption. After the emergence of GC, the implementation of CSR programs has become more structural and broad-based. It is argued that acceptance of GC principles has become easy in developing economies because of its being the first such formal initiative. According to McKinsey & Company's (2004) survey, GC is like a 'gap closer' for developing nations due to the acceleration of initiative already in OECD nations. Moreover, GC has not only brought several changes in the strategic decision making of its participants but also the general attitudinal change in their behavior which may be acknowledged as a landmark development. After the emergence of the compact, firms have started accepting CSR agenda formally, just like its economic activities.

Worldwide Attitudinal Changes Realized

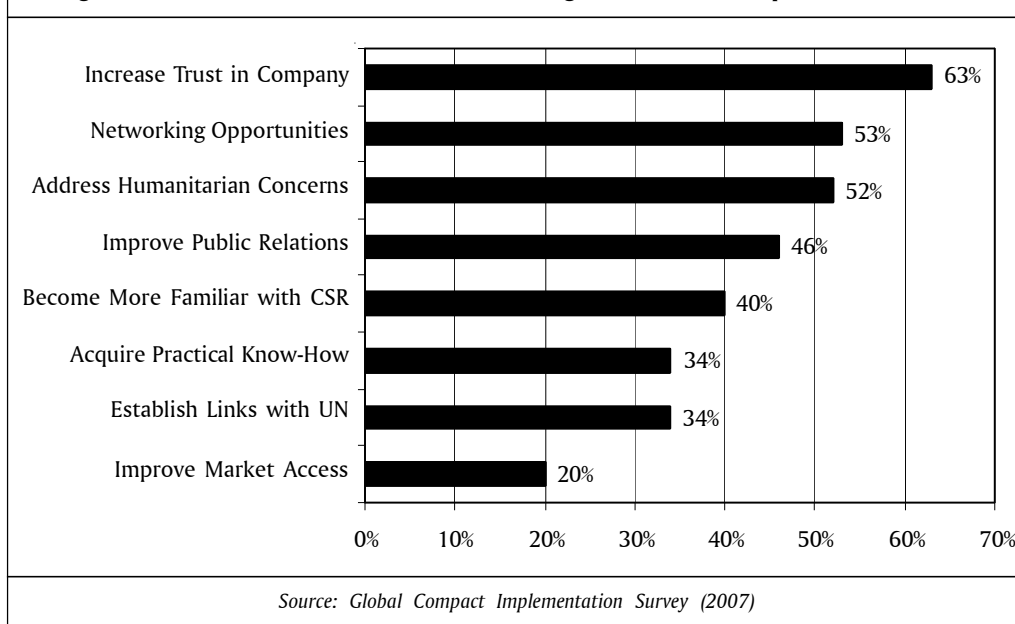
Various studies conducted worldwide found that GC is able to leave its obtrusive as well as positive influence on corporations, governments and non-profit stakeholders across the globe. GC is also able to bring corporations and other non-profit participants closer for further development of 'partnership projects' and other development-oriented activities. The compact may not have succeeded in making a sea change in the CSR movement so far, but it has been successful in making attitudinal change amongst the business firms and other stakeholders like investors, employees, customers and others. Mackintosh (2008) observed that a group of influential investors with a size of more than \$2,130 bn in total, led by Morley Fund Management in the UK, has warned 78 listed companies that they are breaching pledges to a UN agreement on society and the environment by failing to publish progress reports. This shows that the awareness and accountability at the end of investors may force the participants to follow and internalize the principles. On the issue of joining GC by the firms, the McKinsey & Company (2004) study found that for the companies from developed economies, addressing the humanitarian concerns (55%) was the main reason, while for developing economies' firms, becoming more familiar with CSR concept (62%) was the main reason for the same (Figure 1).

Figure 1: Why Companies Sign Up to the GC?

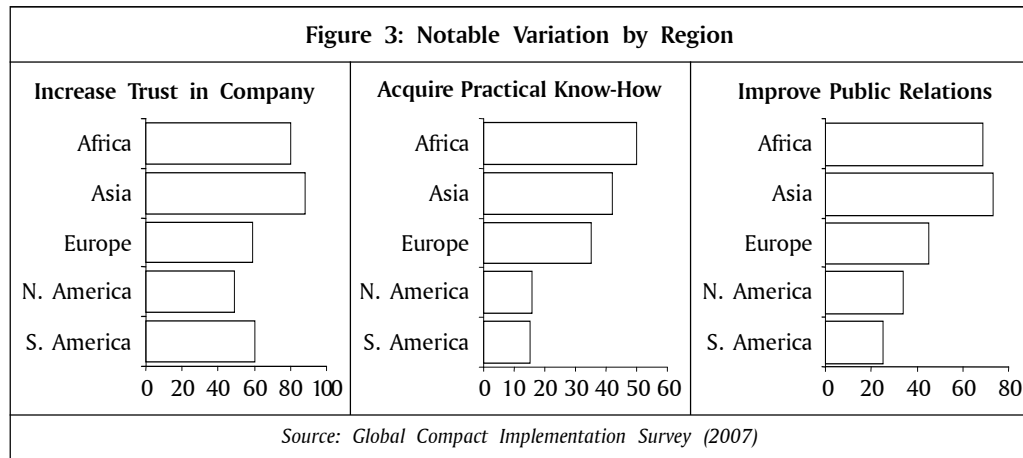


According to another survey of the UNGC, Global Compact Implementation Survey (2007), conducted on the similar indicators as that of McKinsey survey, the reasons for joining GC

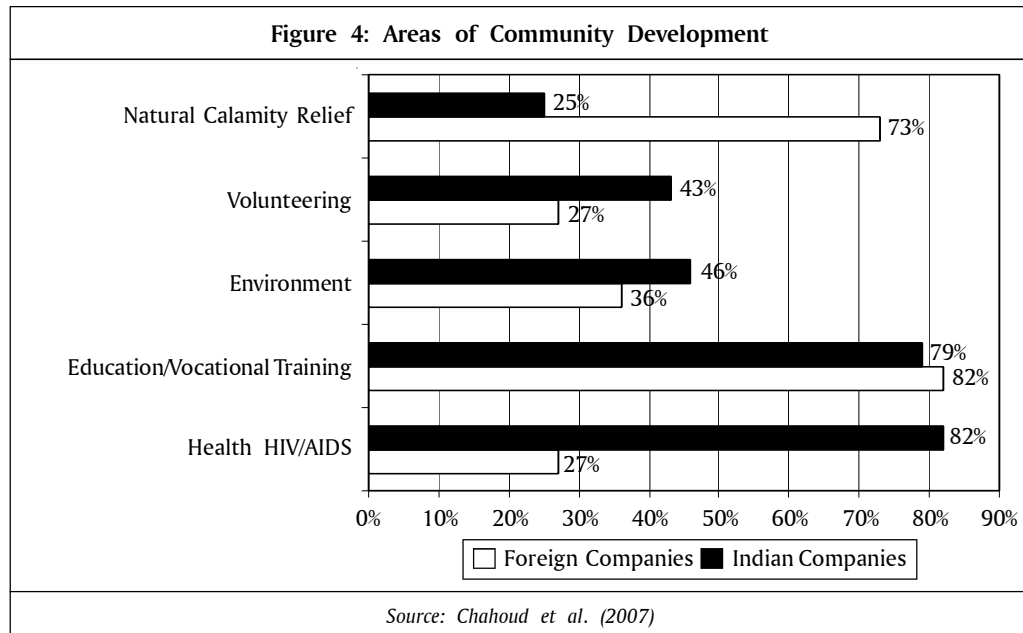
Figure 2: What Are the Reasons for Your Organization's Participation in the GC?



were found quite different. The first and foremost reason was to ‘increase trust in the companies’ with 63% of response rate and ‘improve market access’ as the lowest preferred reason with 20% response rate (Figure 2). Regional response rates, as depicted in Figure 3, show that increasing trust in the companies happens to be the most important reason to join GC for Asian companies; however acquiring practical know-how is the most important reason for African firms. Improving public relations is another important reason for Asian companies followed by African counterparts, for joining GC. Companies belonging to the other continents have joined GC for various reasons, which are different from the reasons for which the Asian and African firms have joined GC.

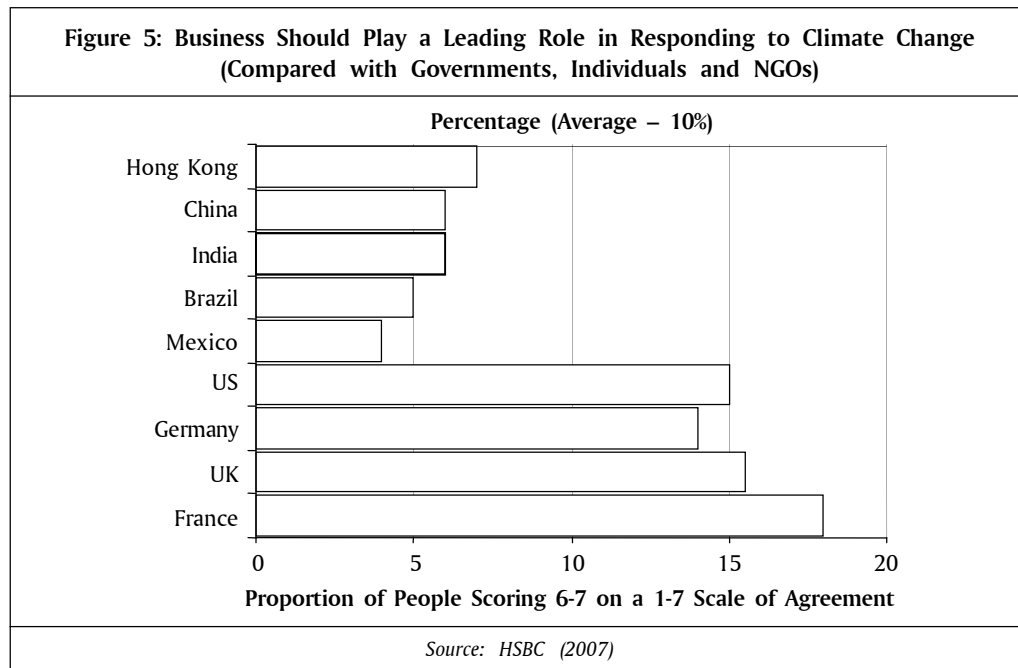


Considering the Indian scenario, participants to GC have altogether different reasons behind joining the compact. Some important studies have revealed the reasons for joining the compact



by the firms working in India. A landmark study, Chahoud *et al.* (2007) conducted on assessing the role of UNGC towards corporate social and environmental responsibility in India highlighted various reasons for the participants to join the compact and work towards community development programs. As given in Figure 4, improvement in health facilities seems to be the most important reason for Indian firms, with 82% respondents agreeing to this reason, whereas educational and vocational training programs were found to be the important reason for most of the foreign companies (82%) operating in India. Comparing these reasons with those of McKinsey and GC Implementation report, it seems that firms wish to contribute more in the areas of health and education in a developing economy like India. Viewing in totality, the participation and support of community development programs in a country like India, the business firms though have changed their attitude and started contributing towards the causes of social development, yet the government still looks to be frontrunner in these programs. Performance and success of GC in India are viewed more in terms of numbers of companies participating in the compact, as compared to their actual response towards the implementation. This is a serious lacuna. In order to make business responsive and careful about community needs, UNGC must impress upon the business to contribute towards community development in the real sense.

As per HSBC's (2007) first international survey on social issues like climate change, etc., the Indian government was expected to be the major contributor in this regard in contrast to business and other stakeholders (Figure 5). Although people in this country have a stronger belief in the individual and business actions, as per the survey, 59% people think that the government should play a leading role in dealing with such issues, compared to only 27% who still believed it to be the responsibility of other stakeholders.



Hence, while trying to understand the attitudinal change in the behavior of firms, it may well be remarked that socially responsible programs have started becoming important part of firms' agenda; however, there is still a long way to go. Steps like positive attitudinal changes are good, but the real progress will be achieved when the business firms start accepting social responsibility as one of their important objectives and move ahead by joining hands with the government organizations.

Role and Responsibilities of Indian Participants Towards GC and Its principles

Why Participation Is High in Developing Economies

Initially, GC authorities tried to make the concept acceptable amongst US companies and spent substantial amount of time for popularizing it in USA. However, the success achieved was much below the expectations. McKinsey & Company (2004) identified the viable reasons for low participation of US companies in GC. The fear of legal liabilities on the signatory participants to the compact was one of the most important reasons. The other two important reasons were implications of the Compact's labor rights provisions and a relatively lower assessment of the potential benefits of associating with the UN. In US, the enforcement of these important provisions would have become mandatory for the participants, therefore, they preferred not to participate in the GC. Oliver (2007) has also found that lack of awareness about UNGC and fear of litigation were the main causes for US companies not to join the compact. Oliver's findings are also supported by Williams (2008).

Contrary to this, GC is more acceptable to the firms from developing economies and the participation increased substantially, compared to US and other developed economies. Furthermore, Mwangi and Schmitz (2007) reported that GC offers easy admission process and facilitates entry in the CSR arena within no time and at a minimum cost to firms having no prior experience with CSR mechanisms and without significant consumer or shareholder pressure. This was another reason for the companies from developing countries to participate in the compact in large number.

India is always acknowledged of higher participation in CSR movement and propagating GC principles; however, it is difficult to say up to what extent this participation has been successful in promoting 10 principles of the compact in the economy which has advanced network structure.

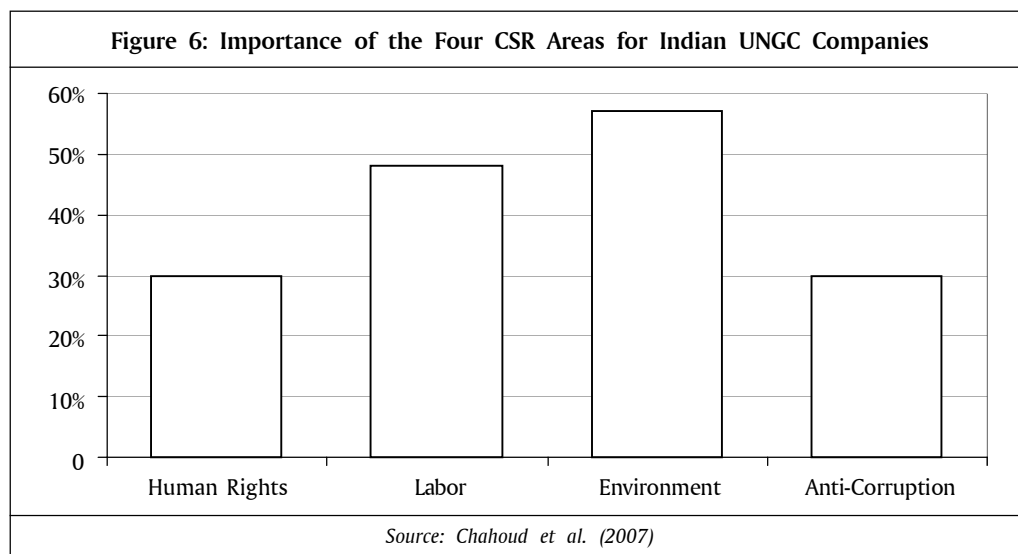
Ellen Kallinowsky, an official of UNGC, observed that compact seemed to be attractive for the companies of developing economies from learning and networking perspectives, whereas transnational corporations of the industrialized countries saw the compact as a tool for reputation management (Cetindamar and Husoy, 2007). Organizations which have adopted GC initiative in its early phases were identified as those which have already adopted and aligned the norms and practices of CSR into their core business operations and structure of corporate governance. It is true in the Indian context as well, where traditions of CSR practices are not new. When the rate of accepting CSR norms grows, the universal pressure towards its acceptance also increases due to the rationale behind the gains and disadvantages for

latecomers. Mwangi and Schmitz (2007) identified this trend as ‘bandwagon effect’, as it convinces business players for the membership of group efforts like GC.

Even with wonderful support from UN, GC has not been successful in motivating the participants to attain MDGs in India. However, the progress in this regard may be termed as satisfactory and commendable. MDGs India Country Report-2005 revealed that there has been a significant advancement in the lives of the people due to the planned execution of programs, in spite of the tremendous and complex troubles and diversities of the nation. However, the report also highlights that even with the well-planned and comprehensive growth strategies and coordinated implementation actions, it seems difficult that India would be able to meet the challenges and achieve all the targets. Apparently, without concrete statistical data, it is very difficult to identify the reasons for non-attainment of goals in India; however, we have tried to identify some trends and relevant outcomes through the exhaustive analysis of secondary data available.

GC Principles – Current Indian Trends

Being a globalized economy, India is changing its pattern of growth; still very little improvement has been seen in spreading and implementing GC principles. With reference to four broad categories of GC principles, namely, Labor, Human Rights, Climate Change and Anti-Corruption, the state of affairs in India seems to be quite different and below the standards. Environment being the most important issue shows that typical areas of CSR (environmental and social issues) still predominate in this country (Figure 6). As shown in the figure, nothing significant has been achieved in all the four categories.



Labor

Indian labor conditions are too pathetic due to the complex procedures, rigidity, inconsistency and overlapping which directly affect labor market. Welford (2007) analyzed that India could have had more than one million additional jobs in the textiles and clothing

sector exclusively, if its labor regulations had been more restrictive. In India, child labor still persists, and despite the new law for banning child labor, India still has 12.6 million child workers, according to various estimations. The NGO group *Bachpan Bachao Andolan* (save childhood movement) has estimated that children account for 40 to 50% of all victims of human trafficking.

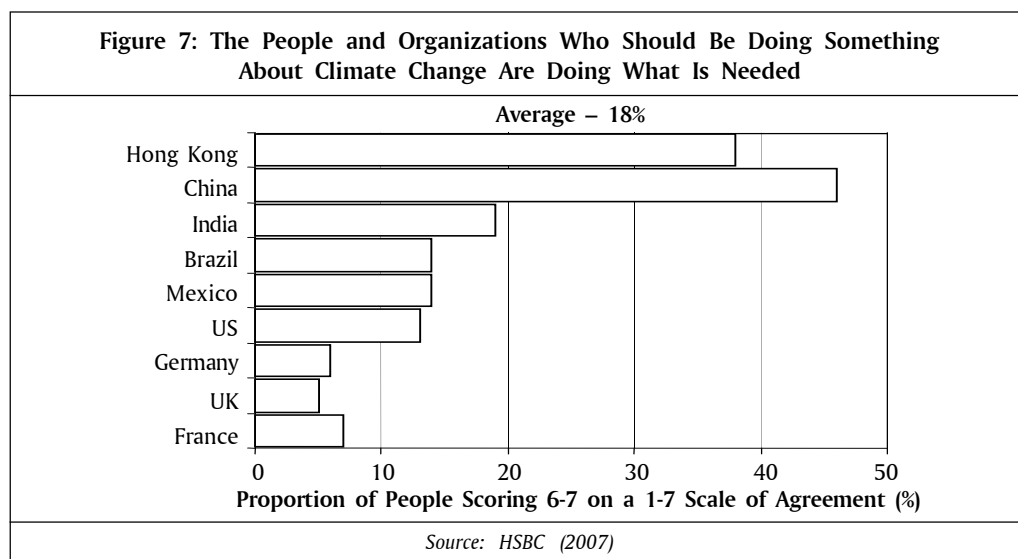
Human Rights

Lyon (2007) assessed the Global Gender Gap in Asia and estimated that India holds a lower rank (114) due to the poor performance on the economic, educational and health sub-indices, which have affected the performance of this country. Kilgour (2007) has observed that gender equality, despite being an important issue on the GC agenda, lacks the attention of participants which may be due to the absence of women in the important bodies responsible for implementation of GC principles. In view of this situation, perseverance of human rights seems to be an urgent need of the time. In no civil society, the violations of human rights may be permitted, and therefore it calls for immediate and serious action. In fact, Gupta (2007) has also emphasized in her study about the need to assess the valuation and enhancement of human assets in firms so as to judge the strength and efficiency of firms and stakeholders.

Climate Change

India, one of the most rapidly industrializing economies of the world, needs to tackle the issue of climate change through reduction of greenhouse gases and improving the production processes. As per a UN Report (2007) climate change will cost 1.6% of global GDP while minimizing the emissions of greenhouse gases. The report of Carbon Disclosure Project (Jeanette Wiemers, 2007) too revealed that “climate change is not a serious issue for Indian companies”, because most of the Indian firms are not measuring their emissions or setting strict caps.

Economic development at the cost of ecological imbalance is an undesirable growth which needs to be seriously dealt with. As of now, this issue has not gained the necessary momentum



in the country, both at the business and individual level, which is a cause for concern. In HSBC's (2007) survey, 45% Indian respondents were found to be more optimistic about overcoming the problem of climate change. However, only 19% respondents agreed about the existence of control measures in the country (Figure 7).

Anti-Corruption

The "Country Reports on Human Rights Practices, India", published by US Department of State (2007), revealed that "Corruption was endemic in the executive and legislative branches of the government", and Transparency International (TI) determined it as 'all-pervasive'. India has been a bad performer with regard to this important GC principle. The overall corruption rate in the country is quite high, and it is an irony that all measures to deal with the corruption had succeeded in bringing it negligibly down by 0.02% by 2006 (*Times of India*, 2008a and 2008b). Corruption in the other segments like police and civil administration has also been found rampant.

Hence, in all the four broad categories of GC principles, the performance and the attainment levels have been found to be quite low, despite the large participation of Indian firms in the initiative. Adequate necessary measures are required without the loss of any further time so as to improve the profile of the country and create a civil society enriched with values and ethics. UNGC can certainly play a valuable role in this regard.

Reasons for Low Performance and Accountability

Lack of Resources

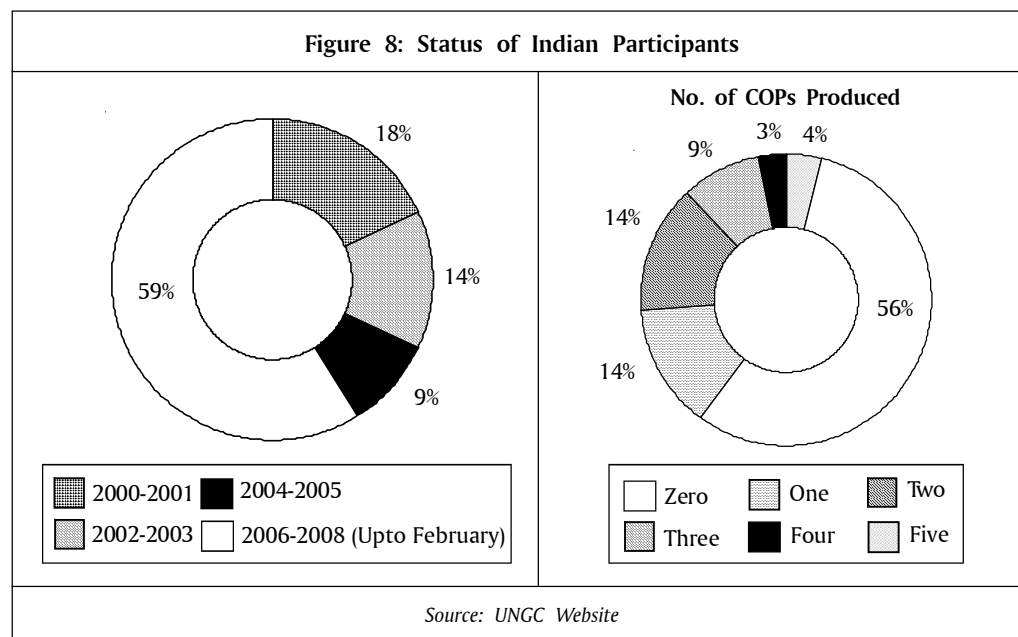
There is always a practical and significant difference in the inner governance and organizational structures as well as the levels of transparency in every organization. As per the requirements of GC, annual report has to be prepared and submitted to UNGC. It is rational to argue that large firms are able to encounter such necessity and manage such demands through internal personnel or outsourcing, while SMEs may find it more difficult and challenging to utilize resources for CSR practices. Especially for Indian organizations, it is far more challenging to adopt and spend a considerable amount on it rather than other crucial business issues. On the community side, its representative may also lack professional knowledge and sometimes therefore remain unable to negotiate with the corporates for the social objectives. Chahoud *et al.* (2007) have also revealed this fact that community representatives lack skills, knowledge and expertise, unlike professional executives, to impress upon business for agreeing to spend on social issues.

Lack of Understanding

Agreeing with the outcome of Global Compact Implementation Survey (2007), firms fail to understand completely the gains of engagement, execution and importance of Communication on Progress (COPs). Gupta (2007) has observed that though various large MNCs have started revealing some information, yet it is descriptive and qualitative in nature, missing the rigor of common performance information which characterizes the firms' financial accounts.

Lack of Accountability and Commitment

Lack of accountability on the part of UNGC and commitment of participants happens to be another important reason for the low performance of participants. As shown in Figure 8, the process of submission of reports by the companies is quite erratic, and GC hardly takes any action to make them responsive and effective. It should be a high priority that the GC participants regularly report social activities and keep different stakeholders informed about the total progress. Chahoud *et al.* (2007) also highlight that only a few corporations disclose their purpose for committing to communities in India. Another issue highlighted by McKinsey & Company (2004) was unmanageable verification of local networks due to inconsistent record-keeping.



Change in Leadership

Another reason for the non-responsiveness of Indian firms has been identified as the change in the top management which leads to no follow-up of CSR activities further at any stage. Introduction of new management in any organization sets different new priorities, goals and objectives; thus engagement with GC becomes no longer important. Mwangi and Schmitz (2007) observe that even in TNCs, cultural change of any nature may hinder the continuation of existing policies and programs and negatively affect the principles of work.

Hence, the above cited reasons help us understand the low progress and accountability of participants towards the compact. This trend needs serious review and urgent actions both at GC and firms' level. In case of India, we may say that it has been happening largely due to the lack of resources. Here the business priorities are different as compared to many other developed economies. Despite many odds, gradually the CSR programs are gaining recognition. In spite of the lack of resources and knowledge, the Indian corporations are endeavoring to set up global CSR platform and give momentum to this noble initiative of GC. For instance, CII

and TVS group have collaborated to form the CII-TVS Center of Excellence for propagating Responsive Corporate Citizenship and to provide consultancy services and technical assistance on social development and CSR issues.

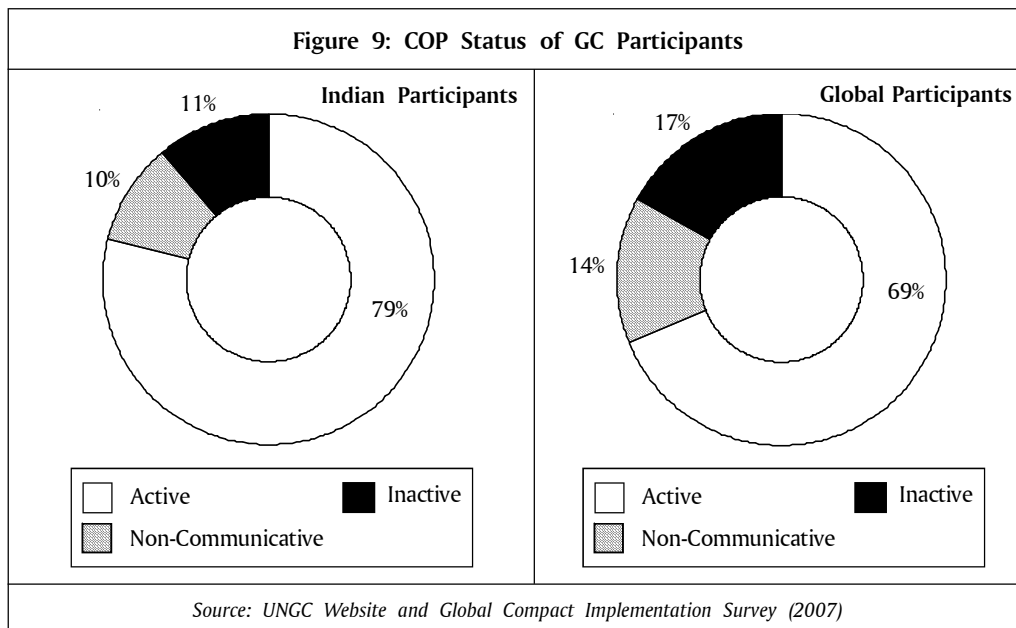
Reporting Behavior of Indian GC Participants to UNGC

After analyzing the reasons for high participation and non-responsive behavior of Indian participants, it will be interesting to identify the reasons behind joining the GC. It is difficult to say what causes the high participation in India, whether it is due to UN brand value or already deep-rooted Indian CSR norms. However, the value and integrity of GC principles are not actually seen by the participants. The phenomenal growth the GC has witnessed in such a short time span looks surprising and worth appreciating, yet, it is difficult to identify as to what has caused it. Being voluntary in nature and self-policing approach, GC is always criticized due to the non-rational judgment behind the entry of participants, which otherwise should be on the basis of level of activities performed and implementation of principles. Critics argue that GC seems to be used by firms suffering bad performance just to ameliorate their negative image. Bandi (2007) observed that the compact serves as 'bluewashing' tool. She is more critical about the non-binding nature of membership process without any kind of serious monitoring or sanctions on the defaulters. Even non-reporting of the performance is not viewed seriously by the compact authorities.

Thus, it raises a serious issue as to whether the players may draw gains, and wishes to enforce the principles into regular processes. In the Indian scenario, more than half of the participants have not produced and communicated a single COP report⁵ to GC. The members who have not reported so far include a sizable number (60%) who joined the compact between the period 2006 and 2007. As per normal requirements of GC, every member must submit the first COP within three years of joining; still the performance is much below the expectations. There are some exceptional participants who had become 'inactive' after joining the compact and submitted their first ever COP after the lapse of 5-7 years period just to move into the category of 'active' participants. The companies that may be included in this category are Air India, Hindustan Petroleum Corporation Ltd., Bongaigaon Refinery and Petrochemicals Ltd., and State Trading Corporation of India. Contrary to this, there are companies (Keshavlal Mangubhai and Co.) who have joined the compact after preparing COP and submitted the same on the date of joining. As depicted in Figure 8, only 7% participants have produced four to five COPs and 14% have produced only one COP, whereas 57% participants have not bothered to comply with the requirements.

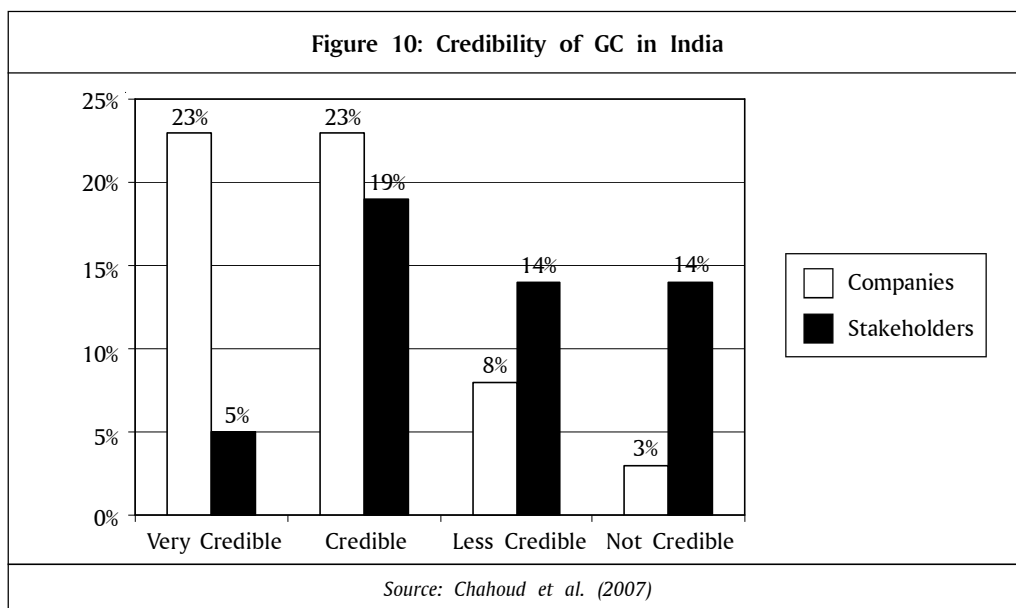
On understanding the COP status of GC participants, both Indian and global (Figure 9), it may be observed that the number of active participants in India (79%) happens to be more than the number of active participants globally (69%). Similarly, indicators about the active participants exhibit a better picture about India. Out of the total active participants, COPs of 12 participants have been categorized as Notable COPs and their efforts towards CSR have received recognition and highlighted by the compact for providing timely reports and publishing required documents. Hence, Indian firms still exhibit a better reporting behavior.

⁵ Data was collected up to February 5, 2008 from http://www.unglobalcompact.org/COP/notable_cops.html



The reporting and communicating behavior of GC members compels one to remark that compact must initiate some actions for making the participants responsible and regular at global level. Most of GC participating organizations are deriving great mileage from the credibility of UN, but are otherwise non-serious about following up its principles, which needs to be looked into seriously by the compact.

Credibility of UN brand has played a major role in terms of influencing the participants to join the compact. The important aspect which Americans companies failed to recognize



was well understood by the firms from developing economies. Cetindamar and Husoy (2007) observed that association with GC influences not only sustainable efforts of firms but also the benefits with high scores on 'corporate image'. This is also proved by the McKinsey & Company (2004) report, which concludes that "Compact is increasingly important to win contracts for firms at least partially to enhance ability to enter into supplier relationships with MNCs and aligning health and safety codes with international expectations. In fact public association of UN Secretary-General with the initiative gives the UN credibility to business that it never had before." Even for Indian participants, credibility of GC is very high due to the reputation of the UN (Figure 10).

Impact of Indian GC Network in Propagating Principles

A diverse base of participants from different locations and with diversity of expectations creates a major challenge for GC Networks. It is not only hard but also challenging to satisfy and fulfill the need and expectations of every participant, which may ultimately lead to frustration. The primary role of a local network is to encourage principles and facilitate their implementation through various actions to contribute to the MDGs, and it has been identified by the Global Compact Implementation Survey (2007) that 53% global participants have joined it to acquire network opportunities, such as better market performance and good corporate image.

According to the McKinsey & Company (2004) report, GC has strategically fostered the introduction of local networks in critical markets and enhanced the structure to respond to broader outreach and communication efforts, and it would give a platform to antagonistic groups where they can discuss and settle disputes and dilemmas.

In developing countries, GC has succeeded in building a comparatively significant presence with more than half of the formal participants, which is also confirmed by McKinsey & Company (2004) study. This impressive presence has been the result of network structures that facilitated the inter-linkages of existing and potential members. Again, recent findings of Global Compact Implementation Survey (2007) reported that up to 2006, over half of the participants were from non-perseverance OECD region, particularly Africa, Asia and Europe, and 80% Asian participants

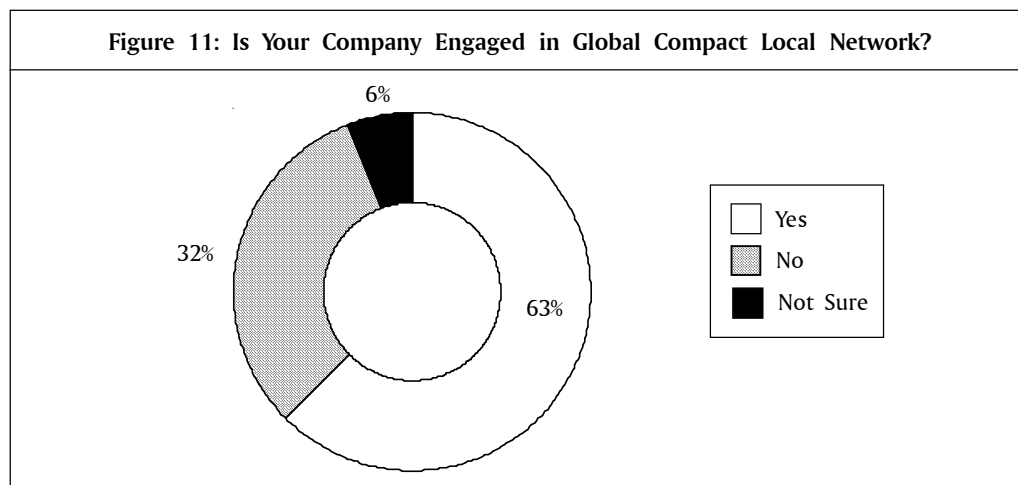
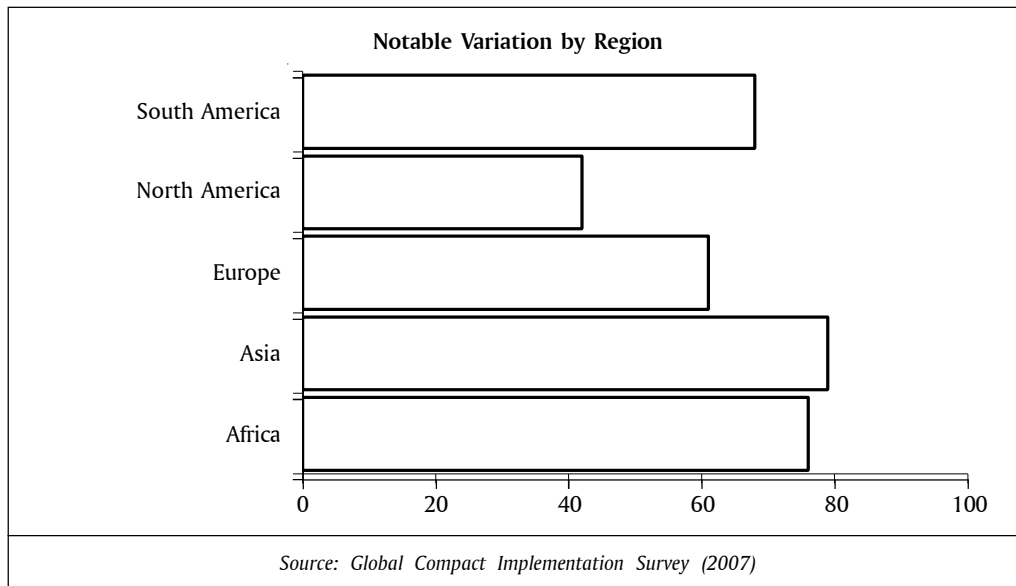


Figure 11 (Cont.)



were associated with GC local network (Figure 11). This shows that four years after the McKinsey & Company (2004) survey, still participation of developing countries in GC was making a difference. Chahoud *et al.* (2007) also state that India has seen the high rate of participation, comprising national GC networks and interlinked with the regional and global levels, showing positive Indian trend of GC with good rapport and potential. The findings of GC Summit (Global Compact Implementation Survey, 2007) revealed that 13 out of top 20 Asian countries are developing and with advanced network base. India is one of those which are actively engaged in the corporate citizenship initiatives. Even UNDP generally helps India through administrative support to the local network having a variety of structures and actions.

Besides heavy participation from India, now the need of the hour is to strengthen the CSR performance by the firms and improve their reporting behavior. Global Compact Society (GCS) and Indian Partnership Forum (IPF) may play a very responsible and constructive role in this regard and inspire the participants for better performance. GCS in India currently provides a common platform to the Indian companies to share their experiences and help each other in attaining 10 GC principles and other CSR related activities. It further assists the members to identify and undertake important projects and imparts training to prepare COPs. GCS projects in India include “organizing a national convention, interacting with various Indian and UN agencies, developing a database of members and their activities relating to GC, opening a website for information dissemination, organizing meetings and workshops to facilitate the exchange of experience and skill development and facilitating projects aimed at implementing the GC by companies both individually and collectively” (UNGC).⁶ Still there are certain points of weaknesses on the part of GCS that need to be looked into and resolved. For instance, GCS

⁶ UNGC, “Global Compact Network in India”, Networks Around the World, UNGC Website, available at <http://www.globalcompactindia.org/>

may remain always close to and in constant touch with participants and encourage the participants for the same response, publicize information about ongoing GCS projects in India and various other initiatives, and communicate the incentives for the participation in the compact to the potential participants and improve the flow of information about local network to the interested stakeholders. If these issues are addressed by GCS effectively, the performance and reporting by Indian participants will become as remarkable as its participation, which may prove to be an interesting learning model for others. Besides GCS, IPF provides a platform to decide the policy and process of business participation in the development programs in the country. Building a 'shared social vision' and entering into interactive discussions with new partners are some other aspects that IPF addresses. Encouraging and facilitating the role of private sector in social development programs, IPF aims to create social capital on the basis of joint interactions of business and civil society for the ultimate benefit of the disadvantaged, or least advantaged sections of the society.

Some important facts about Indian network are given in Tables 4 and 5.

Table 4: Number and Types of Local Network Participants of GC in India in 2006-07										
MNCs	SMEs	Micro Enterprises (<10 Employees)	Business Organizations (Companies)	CSR Organization	Labor Organization	Civil Society Organizations	Academic Institution	Other Stakeholders	Government Participation in Network	Total
2	8	0	102	1	0	5	2	4	No	124
<i>Source: Global Compact Society – India Annual Report for the year 2006-07 (April-March)</i>										

Table 5: Number and Types of Indian Network's Activities in 2006-07					
Outreach Events	Learning Events	Policy Dialogues	Partnership Projects	Cooperation with Other Local Networks	Other Activities
2	1	0	0	0	1
<i>Source: Global Compact Society – India Annual Report for the year 2006-07 (April-March)</i>					

Conclusion

In the Indian context, CSR is found to be a well-appreciated and accepted phenomenon and plays a crucial role in forming the country's CSR portfolio through the support of several world initiatives and business and non-business associations. In India, GC is accepted with great appreciation, achieved good participation and created an advanced network structure. Compared to other countries, India has great participation in the compact, but members do not bother to communicate the progress to GC at regular intervals. Numerous reasons are found and highlighted in the present paper for the non-responsive behavior of the participants. The important reasons, such as lack of resources at the end of firms, lack of understanding of the need and importance of the initiative while implementing into the core business processes,

and change in the upper-level management which may lead to the discontinuation of existing CSR policies, are found to be responsible for such behavior. Participating companies are also found not keen on disclosing information to the public, especially on the websites, except a few. Being a part of volunteer initiative, firms must volunteer to disclose the required COPs on public portals or websites. Another important fact is that member organizations keep on violating GC principles worldwide and no action against such erring members is taken by the compact. Greenwash + 10 (2002) reported two Indian instances in this regard. Firstly, Norsk Hydro has violated Principle 1, “support and respect the protection of international human rights within their sphere of influence,” and Principle 2, “make sure their own corporations are not complicit in human rights abuses” at their bauxite/alumina joint venture in India. Secondly, Unilever has violated Principle 7, “support a precautionary approach to environmental challenges,” Principle 8, “undertake initiatives to promote greater environmental responsibility,” and Principle 9 “promote the diffusion of environment-friendly technologies” at their thermometer factory in Kodaikanal, India. Such instances of violation of principles give a feeling that even UN association does not stop these companies from violating the underlying principles and set their house right. On the other side, GC’s main focus seems to be on ‘increasing the number of participants’ but not on the ‘attitude of these firms towards honoring their commitments’. Even after eight years of existence, GC is not able to stop firms from violating principles. Members promise to adhere to the principles while signing the joining report; but there has been no reporting, no responsibility and no accountability at all afterwards.

In this scenario, we strongly feel that only categorization and delisting of firms are not enough. GC must control their behavior by publicizing the undesirable practices of the firms and/or reporting these acts to their stakeholders. This way, violators may exercise restraint and improve their working to avoid creating a negative image of themselves in public. The non-binding character of UNGC has been critically analyzed by Bandi (2007). She is of the opinion that actions of member-companies must be closely monitored and sanctions imposed on the defaulters. Nason (2008) has also observed that though GC has become the world’s largest voluntary corporate citizenship initiative, it has failed to get recognition due to the noncompliance of its 10 principles by its members.

Thus, to ensure the compliance of its principles, the compact must draw and design some methodology which may help mend the behavior of the inactive, non-performing and non-reporting members and facilitate the attainment of the basic objectives of the compact. □

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