Globalization and Corporate Social Responsibility in India

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Abstract--- The New Economic policy brought revolutionary changes in the Indian economy. Due to financial crisis India was forced into Liberalization, Privatization and Globalization trade system. The Globalization is playing a vital role in the world market. There are no limitations and restrictions to member countries to do business, they can enter into any market easily and earning more profits. ‘Globalization’ giving way to integration of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. Cross border integration can have several dimensions – cultural, social, political and economic. In the part of Globalization India opens the doors for foreign funds in the public sector. Foreign Direct Investment (FDI) is fund flow between the countries in the form of inflow or outflow by which one can able to gain some benefit from their investment. Many of the public sector companies sold out its shares to foreign companies. The foreign companies directly investing in Our country and earning more profits without paying any taxes. They are utilizing the natural resources of the country and labor etc., but due to Globalization they are not paying anything to us. In this scenario our country loosing more income and also lacks of employees became unemployed.

The Globalization showing more effect on the Indian Agriculture sector in the name of Special Economic Zones. Lacks of hectors of Agricultural land are acquiring for SEZs. SEZs are specifically delineated duty-free enclaves and are deemed to be foreign territory for the purposes of trade operations, duties and tariffs. The principal goal is to increase foreign investment. Indian farmers are seriously fighting against special economic zones like Nandigarm in West Bengal. The Government has to take necessary steps to protect the interests of a large number of farmers. In the part of Liberalisation Privatisation and Globalisation The Indian Government slowly escapes from “Welfare state concept”. The corporate’s are asking to take social responsibility. In this scenario the corporate social responsibility is gaining more importance. On the part of Corporate Social Responsibility the corporate companies working on education, poverty, women empowerment and employment training etc. There is no legal framework for CSR in India, up to now the companies are participating in CSR activities on the basis of morality. Due to that The social responsibility activities are not up to the mark. After many years dilomo The Government of India recently amend the companies bill-2012, it will mandate corporate social responsibility for every industry from their net profits. And also the Government has to take initiate for reservations in the private sector..it will helps for employment and leads to socio-economic development in India.

Key words--- Globalisation, Foreign Direct Investments, Disinvestment, Special Economic zones, Welfare State Concept, Corporate Social Responsibility in India.

I. INTRODUCTION

The New Economic policy brought revolutionary changes in the Indian economy. After that due to financial crisis India was forced into Liberalization, Privatization and Globalization trade system. The Globalization is playing a vital role in the world market. There are no limitations and restrictions to member countries to do business, they can enter into any market easily and earning more profits, without paying any taxes. The farmers are facing more problems with Special Economic zones, They became landless and unemployment. This situation is shown more effect on Agricultural production and rural development. Due to globalization the governments are unable to spend more money on welfare schemes same time slowly escaping from ‘welfare state concept’. The government is asking industrialists to take social
Globalization and its Meaning

Broadly speaking, the term ‘globalization’ means integration of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. Cross border integration can have several dimensions – cultural, social, political and economic. In fact, some people fear cultural and social integration even more than economic integration. The fear of “cultural hegemony” haunts many. Limiting ourselves to economic integration, one can see this happen through the three channels of (a) trade in goods and services, (b) movement of capital and (c) flow of finance. Besides, there is also the channel through the movement of people.

Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology Globalization.

Globalization increases competition, making firms efficient and allows outsourcing, which is beneficial as people can do the same job for less money elsewhere, and the people who did the job originally can get a job they are actually good at. Globalization puts downward pressure on inflation Promotes technological advancement, again creating jobs and growing incomes. Allows specialization, so countries can produce more goods more efficiently, increasing incomes and lowering prices/costs. Countries can produce what they are best at and trade it for goods others countries can produce well, allowing both countries to benefit invest, thus increasing their incomes and jobs. Countries which have a high savings level and don’t know what to do with it can invest it in other countries and earn a return.

The supreme Court on Globalization:

“The attractive mantras of globalization and liberalization are fast becoming the raison d’etre of the judicial process and an impression has been created that the constitutional courts are no longer sympathetic towards the plight of industrial and unorganized workers. Judges of the Supreme Court and Constitutional courts that there will be “precarious consequences” will visit the nation if they dilute constitutional imperatives to promote the “so-called trends of Globalization”.

Foreign Direct Investments

Foreign Direct Investments (FDI) is fund flow between the countries in the form of inflow or outflow by which one can able to gain some benefit from their investment whereas another can exploit the opportunity to enhance the productivity and find out better position through performance. The effectiveness and efficiency depends upon the investors’ perception, if investment with the purpose of long term then it is contributing positively towards economy on the other hand if it is for short term for the purpose of making profit then it may be less significant.

Depending on the industry sector and type of business, a foreign direct investment may be an attractive and viable option. Any decision on investing is thus a combination of an assessment of internal resources, competitiveness, and market analysis and market expectations. Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FDMA) 1999. Reserve Bank has issued Notification No. FEMA 20/2000-RB dated May 3, 2000, which contains the Regulation in this regard. This notification has been amended from time to time.

Part of the Liberalization, privatization and Globalization India forced to implement Foreign Direct investments in the public sector. As per the world trade organization (WTO) guidelines the Government of India stated disinvestment in public sector in the year 1991. Then the Prime minister of India late P.V. Narasimha Rao government chosen New Economic policy in India, due to that several crucial decisions was taking place. Since that year disinvestment policy continued slowly. BJP led National Democratic Alliance (NDA) front came to power in the central the Disinvestment policy got speed up. Then the prime minister A.B. Vajpayee appointed separate minister for Disinvest in his cabinet, during their term many of the public sector companies sold out their shares.

Recent Disinvestments

Recently the Government of India disinvest its public sector companies, which are getting more profits as well
as giving employment to large people, in the name bad functioning and not available sufficient funds to develop the industry. Whatever reason may be the government ultimate aim is disinvestment. These are the companies recently sold out its shares to foreign companies.

NBSS, ONGC, MOIL LTD, COAL INDIA LTD, POWER GRID CORPORATION, ENGINEERS INDIA LTD, NMDC LTD, RURAL ELECTRIFICATION CORPORATION LTD, NTPC LTD, OIL INDIA LTD, NHP LTD, SHIPPING CORPORATION OF INDIA LTD, POWER FINANCE CORPORATION LTD.

Forthcoming Disinvestments- Government Approval Received

The Government of India also plans to disinvest some more public sector industries. The government has already given its approval for that process.

1. TYRE CORPORATION OF INDIA LTD
2. HINDUSTAN COPPER LTD.
3. STEEL AUTHORITY OF INDIA LTD.
4. RASTRIYA ISPAT NIGAM LTD.
5. BHARAT HEAVY ELECTRICAL LIMITED.

Government should design the FDI policy such a way where FDI inflow can be utilized as a means of enhancing domestic production, savings and exports through the equitable distribution among states by providing much freedom to states, so that they can attract FDI inflows at their own level. FDI can help to raise the output, productivity and export at the sectoral level output, productivity and export are minimal due to the flow of FDI into India both at the macro level as well as at the sectoral level. Therefore for further opening up of the Indian economy, it is advisable to open up the export oriented sectors and higher growth of his economy could be achieved through the growth of these sectors.

Center for public interest litigation vs Union of India & Anr. (With writ petition (civil) NO. 286 of 2003) : Supreme court of India

In this case The petitions questioned the process of disinvestment in public sector companies without proper amendments of that companies act. Justice Rajendra Babu and G.P. Mathur: given judgment; we allow these petitions restraining the Central Government from proceeding with disinvestment resulting in HPCL and BPCL ceasing to be Government companies without appropriately amending the statutes concerned suitably.

Special Economic Zone:

An SEZ is a geographically demarcated region that has economic laws that are more liberal than the country’s typical economic laws and where all the units therein have specific privileges. SEZs are specifically delineated duty-free enclaves and are deemed to be foreign territory for the purposes of trade operations, duties and tariffs. The principal goal is to increase foreign investment. Through the introduction of SEZs, India also wants to enhance its somewhat dismal infrastructural requirements, which, once they have been improved, will invite even more foreign direct investment. Or put in the government’s own words, the main objectives of the SEZs are:

(a) Generation of additional economic activity;
(b) Promotion of exports of goods and services;
(c) Promotion of Investment from domestic and foreign sources;
(d) Creation of employment opportunities;
(e) Development of infrastructure facilities.

Special Economic Zones -controversy

After the initial hiccups in March 2000, when then the Union Minister for industries Murasoli Maran announced the new policy regarding tax-free enclaves, the concept of an SEZ and its implementation seemed to sail in calm waters. But soon, with farmers experiencing dispossession of their land and political parties exploiting the plight of the farmers for their own political ends, the discussion became more heated, leading to a host of protests. At first, there were some court cases challenging the setting up of SEZs, especially the legitimacy of the
forceful land acquisition on the grounds of “public purpose”. But later the resistance became real: Indian workers on the run and some even dead – in fact there was so much trouble that the CPI (M) had to organize relief camps in its stronghold to protect its members from the agitated crowd. Supporters of the BUPC were at the receiving end here. The BUPC managed to keep Nandigram under its control for some time.

A massive operation with at least 3,000 policemen was launched on 14th March 2007. Who amassed a crowd of roughly 2,000 villagers at the entry points into Nandigram, with women and children forming the front ranks. In the resulting mayhem, at least 14 people were killed and claims of large-scale sexual crimes were made afterwards.

Welfare state concept in India

It is a concept of government in which the state plays a key role in the protection and promotion of economic and social well-being of its citizens. A welfare state is based on the principles of equality of opportunity and equitable distribution of wealth. It also focuses on the government responsible for those who are unable to avail themselves of the minimal provisions of a good life. Under this system, the welfare of its citizens is the responsibility of the state. Since independence the rulers of India have been implementing various schemes which will useful welfare of the people. After Globalization the governments didn’t allot more funds for welfare of the poor compared with before Globalization in India. Due to various reasons the governments are slowly escaped from welfare state concept. The governments are asking the corporate’s to take up social responsibility. In this scenario the corporate social responsibility is playing a vital role in the society.

Corporate social responsibility

Corporate Social Responsibility (CSR) defined as “the ethical behavior of a company towards the society” manifests in the form of such noble programs initiated by for-profit organizations. CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses it is also vital to build trustworthy and sustainable relationships with the community at large.

CSR is not a new concept in India. Corporations like the Tata Group, the Aditya Birla Group, and an Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events.
Companies Bill-2012

The Government of India has made compulsory for industries to take up Social Responsibility through the Companies Bill-2012. The companies shall have appointed the CSR Committee. Board consisting of three or more directors, out of which at least one director shall be an Independent director. As per The companies Bill 2012 schedule VII, Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:

i. Eradicating extreme hunger and poverty;
ii. Promotion of education: Promoting gender equality and empowering women;
iii. Reducing child mortality and improving maternal health;
iv. Combating human immunodeficiency virus, acquired immune deficiency Syndrome, malaria and other diseases;
v. Ensuring environmental sustainability;
vi. Employment is enhancing vocational skills;
vii. Social business projects;
viii. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for Socioeconomic development and relief and funds for the welfare of The Scheduled Castes, the Scheduled Tribes, other backward classes, Minorities and women; and
(ix) Such other matters as may be prescribed.

Core Elements:

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of the overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board.

The CSR Policy should normally cover following core elements:

1. Care for all Stakeholders:

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. And create value for all of them. They should develop mechanisms to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

2. Ethical functioning:

Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

3. Respect for Workers’ Rights and Welfare:

Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labor, have an effective grievance Redressal system, should not employ child or forced labor and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

4. Respect for Human Rights:

Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

5. Respect for Environment:

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environmentally friendly technologies.

6. Activities for Social and Inclusive Development:
Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc. Particularly targeting at disadvantaged sections of society.

A lack of understanding, inadequately trained personnel, non availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. Further adding to the reach and effectiveness of CSR programs. But the situation is changing. And CSR is coming out of the purview of ‘doing social good’ and is fast becoming a ‘business necessity’. The ‘business case’ for CSR is gaining ground and corporate houses are realizing that ‘what is good for workers – their community, health, and environment is also good for the business’.

SUGGESTIONS

1. The Government of India has to implement the Companies Bill-2012, which will mandate corporate social responsibility for every industry.

2. The Government of India has to bring the amendment on Reservations in Private sector, which will help for employment of Sc, ST, OBC’s in the private sector.

3. The Government has to frame special regulations on acquisition of Agricultural land for special economic zones, to protect farmers rights and food products.

4. The Special economic zones have to give top priority in employment for local area people to eradicate the poverty and unemployment.

5. The Government has to bring special acts to protect the interests of small industries in India.

CONCLUSION

The Globalization brought revolutionary changes in Indian markets as well as Economy. Particularly small scale industries facing more troubles to sell out their goods in the free market for low cost. China goods are spread all over the country and giving more competition with low costs. Due to that many industries closed and lacks of employees were loosed their jobs. Foreign Direct Investments (FDI) flowing into the public sector and earning more profits. The foreign investors not paying any taxes for our country. Due to this trade system we are loosing more profits. The special economic zones also putting into troubles. The farmers have become landless and unemployment. Implementation of globalization present scenario is not satisfactory to the Indian economy , the government has to frame clear guidelines to protect the interests of the people of India as well as industrialists.

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