



## Controlling the growth of oligarchic capitalism in India through corporate social responsibility (CSR)

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### Abstract

In the post liberalized Indian economy corporate sector has dominated country's economic development path. No doubt, the private corporate entities especially family controlled ones are performing well and contributing lot for nation's growth by increasing production of goods and services, contributing to national income, creating jobs, earning good amount of Foreign exchange but the other side and worrying fact is their growth in leaps and bounds resulting in concentration of wealth and their political and economic dominance. These will exert influence on government policies and decisions in their favour, it is an indication that Oligarchic capitalism is emerging in India. In this paper causes for Oligarchic capitalism, consequences of Oligarchic capitalism, tools to tackle Oligarchic capitalism and role of CSR initiatives in curbing Oligarchic capitalism are analysed. The emergence of oligarchic capitalism and its consequences can be controlled when business people and politicians join hands to support and observe socially responsible business practices. More over public awareness is most important in controlling the emergence of oligarchic capitalism. Here an attempt is made to explain the role of CSR as a tool to tackle this anti- welfare system in India.

**Keywords:** oligarchic capitalism, welfare state, Indian companies act, corporate social responsibility, SEBI

### Introduction

The first generation, reforms initiated in 1991 paved way for economic liberalisation of Indian economy which provided opportunities for private players to play pro-development role in India's economic development path. No doubt, the private corporate entities especially family controlled ones are performing well and contributing lot for nation's growth by increasing production of goods and services, contributing to national income, creating jobs, earning good amount of Foreign exchange. At the same time they grown in leaps and bounds and leading to concentration of wealth with big corporate giants results in assumption of great economic power exerting influence on government policies and decisions. There is feeling and fear among the intellectual class, social thinkers and eminent economists that India is moving towards Oligarchic capitalism and its deadly threats on Indian economy and society. It is against the notion of welfare society as enshrined in our constitution. This article discusses measures to tackle the threats of Oligarchic capitalism and tried to explain that Corporate social Responsibility as one small step to tackle and bring down the threats of this Oligarchic capitalism.

### Conceptual Clarity

**Oligarchic capitalism:** Capitalism is not just an economic system, in the sense that investment in, and ownership of how we produce, distribute and exchange wealth is vested in the hands of private individuals and companies, and that prices are determined in the marketplace. An economic system commanded /ruled by a few.

**Corporate social responsibility:** World Business Council for Sustainable Development has defined CSR as "the

commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life"

**Dimensions of CSR:** CSR revolves around four dimensions – (1) Discretionary Responsibility concerned with contributes to the community: be a good corporate citizen, (2) Ethical Responsibility- be ethical, do what is right and avoid harm, (3) Legal Responsibility- obey the law and (4) Economic Responsibility-be profitable

### Objectives of the study

- To study the dangers of Oligarchic Capitalism in India
- To suggest measures to tackle Oligarchic Capitalism
- To study the role of CSR in tackling Oligarchic Capitalism

### Strength of Indian corporate sector

The ADB report reveals that In India about 10 families owns nearly 80% of shares in the major Indian companies. Out of ₹100 trillion market capitalizations of all listed and traded companies on BSE promoter group owns more than 51% of total market capitalisation as on 31/12/2015. The FORBES magazine 2017 states that the combined net worth of India's 100 wealthiest corporate giants stood at a whopping \$479 billion. According to Credit Suisse Global Wealth Data book, 2014 and 2015 the richest 1% of Indians own 53% of the country's wealth. All most all these billionaires are the major stockholders of leading corporate entities in India.

### Is India moving towards oligarchic capitalism?

The statistics on national income distribution, owning of

natural resources, observation of inter-governmental organisations, views of economists and intellectual class tells that India is slowly but surely moving towards oligarchic capitalism. This is evidenced from the FORBEs reports on Indian billionaires list for the past one decade. The land, natural resources and government contracts or licenses are the predominant sources of the wealth of our billionaires. And all of these factors come from the government." Highlighting the threat of oligarchic capitalism in India, noted economist Dr.Raghuram Rajan, Former RBI Governor has observed that after Russia, India has the largest number of billionaires in the world per trillion dollars of GDP. In the post liberalised era number of scams and scandals took place in India involving billions of amounts. To name a few are Sahara scam [2014] Saradha Group financial scandal [2013], Abhishek Verma arms deals scandal [2012] Common Wealth Games Scam [2010] Indian coal allocation scam [ 2012] 2G scam [2008]. More over the corporate people and politicians are directly or indirectly joined hands in all major scandals and scams reported in the last one and half a decade.

### **Objective -1**

#### **To study the dangers of Oligarchic Capitalism in India**

It is difficult rather confused as to use of words to state the consequences of this unsystematic economy and its consequences are disguised, some are visible some are invisible, invisible consequences are long lasting and more severe. Emergence and nurturing of this system will definitely defeat the very purpose of our constitution. *Our constitution guarantees to secure to all its citizens: JUSTICE, social, economic and political.* Much against this aspiration the oligarchic capitalism brings disastrous consequences which are both direct and indirect on the society. Other consequence of oligarchic capitalism is Concentration of wealth in few influential people – leading to *feudalism* literally making common people the slaves of these Corporate Feudalists. It is creating some kind of Vicious circle in the society. It is root cause for the social unrest, naxalism and separatist activities in the country. If India is moving towards Oligarchic Capitalism means it is a death knell for Indian poor and middle class people.

### **Objective -2**

#### **To suggest the measures to control the growth of Oligarchic capitalism in India**

##### **How to tackle oligarchic capitalism?**

Causes for emergence of oligarchic capitalism in India are unethical and taintful business practices, nexus between politicians and business people/ elite, corrupt political and bureaucratic set up. More disheartening fact is that politicians are becoming business people making weak state. In India these tainted business class in nexus with unethical politicians are gaining political control and influencing the policies and escaping from legal punishment by winning the legal battle. In this scene, the solution be found within the oligarchy system. Oligarchic Capitalism be tackled otherwise it is proved to be danger for the society. India must improve governance, reduce corruption, and implement further economic reforms to avoid the fate of Russia and several Latin American countries [ADB Report].

### **Objective-3**

#### **To analyse role of CSR in curbing the Oligarchic Capitalism in India**

In this section how the CSR initiatives required under Companies Act, 2013 and under the SEBI rules are going to reduce the menace of Oligarchic Capitalism is analysed.

#### **Corporate social Responsibility (CSR) requirements in India**

Section 135 of the companies Act, 2013 and SEBI guidelines on Business Responsibility Report (BRR) requirement (circular dated 4<sup>th</sup> November, 2015) are milestones in making Indian corporate entities socially responsive.

Under section 135 of companies Act, 2013- all profit-making companies will be required to spend two per cent of their average net profit of the previous three years on CSR activities. The norm is applicable only for companies with net worth of Rs.500 crore or more; or a turnover of Rs.1,000 crore or more; or a net profit of Rs.5 crore or more, during the previous three financial years.

Section 135 makes it obligatory for all companies meeting the prescribed criteria to make the disclosure of CSR activities carried out by them.

The Act also requires those companies which did not spend the said amount to give the reasons for not doing so and are to be disclosed in the Board's Compliance Report.

#### **Business Responsibility Report (BRR) requirement under SEBI rules**

SEBI has brought out stricter rules for the listed companies to make exhaustive continuous disclosures on a regular basis. Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles. SEBI had introduced requirements with respect to BRR vide circular No. CIR/CFD/DIL/8/2012 dated August 13.

In Pursuant to notification of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the aforesaid circular dated August 13, 2012 was rescinded. As per clause (f) of sub regulation (2) of regulation 34 of Listing Regulations, the annual report shall contain a business responsibility report describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by the Board

### **Conclusion**

The fact and figures on national income distribution, pattern of ownership of natural resources, observation of inter-governmental organisations, views of economists and intellectual class shows that India is slowly but surely moving towards a tainted oligarchic capitalism. It is much against the notion of welfare society as enshrined in our constitution.

In India the tainted business class in nexus with unethical politicians are gaining political control and influencing the

policies and escaping from legal punishment by winning the legal battle. India must improve governance, reduce corruption, and implement further economic reforms to avoid the bad consequences of oligarchic capitalism. The CSR requirements of spending 2 % or some more percent out of the net profit will not make much difference in tackling the threats of this system. The consequences can be controlled only when business people and politicians join hands to support and observe socially responsible business practices. More over public awareness is most important in controlling the emergence of oligarchic capitalism in India. If we fail to curb this system then it is going to be a death trap for Indian poor and middle class people.

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