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# **THE ROLE OF GANDHIAN TRUSTEESHIP IN SHAPING SOCIALLY RESPONSIBLE CORPORATIONS IN INDIA**

AUTHORED BY - DR ANNAPOORNA SHET\*

## ***Abstract:***

*Corporate Social Responsibility is the concept that has benevolent aims. Every individual and organization have a relationship with the society in one or the other way. And in this relationship, there are mutual benefits to be enjoyed between the various constituents of the society. The companies are formed to carry out business and reap benefits to the investors and its stakeholders. Such companies also have a responsibility towards the society which is coined under the concept of Corporate Social Responsibility under Section 135 of the Companies Act, 2013. Every thought of Mahathma Gandhi may not be relevant today, but Gandhian economics is very comprehensive to deal with many present-day issues. One such issue is the concept of 'Corporate Social Responsibility', which can be traced to Gandhi's concept of "Trusteeship". The philosophy of Trusteeship believes in inherent goodness of human beings. It involves the capitalists and landlords in the service of society without any element of coercion. It doesn't want the destruction of capitalists as Gandhiji himself believed that their destruction would result in the end of the workers. Gandhian principles like truth, non-violence, trusteeship etc are relevant in today's life. In the same manner the concept of CSR, the corporate sectors have played an important role in the development of the society by joining hands with the government. In this paper, the author explores the possibilities of applying Gandhian trusteeship in building socially responsible society through the concept of CSR.*

**Key Words:** Corporate Social Responsibility, Trusteeship, Capitalist Society, Socialism, Gandhian Principle.

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## I. Introduction

Business is normally conducted within a social network. Several groups have various aspirations inside and outside the business-like customers seek fair prices and satisfaction from their purchases; women demand equal opportunities at work, while minorities insist that a fair share of such proceeds should go to them and employees want proper wages, certain security after retirement, healthy work place and even expects to be treated with dignity. Thus, there cannot be any water tight compartment between business and society. Both are inter-related to each other and at the same time interdependent to each other. There exists a strong bond between business and society. No one can engage himself in business by his own efforts without the help of the society.<sup>1</sup>

According to certain religious books, it is stated that God instructed men to “fill the earth and govern it”, implying a balanced approach of using natural resources and exercising responsibility. In the ancient Codex Hammurabi,<sup>2</sup> the highest punishment was ordered for property builders who built a house that collapsed later because of faulty material and thereby caused the death of occupants. Since early time, public awareness regarding social responsibility of companies started to develop which led to new literature about Corporate Social Responsibility (CSR) as well as to modules for corporate conduct.<sup>3</sup>

The principle of trusteeship followed by Mahathma Gandhiji then, has got relevance with the concept of CSR practiced in present day. Gandhiji believed in serving the people as it is the people who were the reason for the wealth in the society. The concept of CSR was embodied long back in the Gandhiji’s principle of Trusteeship which imbibed responsibility on the wealthy people to take care of the economically backward people. Gandhiji believed in the principle that the wealthy people are duty bound to take care of unwealthy people because of which everyone can make their living in a society. CSR initiatives, where the able company take the responsibility of the people who are in need of support has similar approach of trusteeship principle adopted by Mahatma Gandhiji. The paper explains the concept of CSR and explains the relevance of Gandhiji’s trusteeship principle in the corporate social responsibility.

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<sup>1</sup>Dipak Das and Sanjay Kumar Singh, “*Corporatization and Corporate Social Responsibility*”, 1<sup>st</sup> edn, (New Delhi: SBS Publishers, 2011), p.22

<sup>2</sup> Babylonian Legal Text composes during 1755- 1750 BC

<sup>3</sup>*Ibid*, p. 35

## II. Concept of Corporate Social Responsibility

It is useful to know the definition of the concept before analysing the concept in detail. The definition part plays a very important role in understanding the concept. As the concept of Corporate Social Responsibility is an evolving concept and there is no single definition for it, it is very difficult to define the concept in a precise manner, particularly when the subject matter of the definition is imprecise and new, as it happens with Corporate Social Responsibility.<sup>4</sup>

There is no definition for the concept of corporate social responsibility which is valid for all business concerns at all times. This is because responsibilities of business are related to the changing social expectations, which is dependent upon the political, social, and other environmental factors, which are dynamic too. However, a review of few valid definitions would be useful to understand the concept of Corporate Social Responsibility.<sup>5</sup>

There are several definitions of Corporate Social Responsibility according to various authors and scholars. Every scholar or a businessman had given his own opinion with regard to the above concept and as a result there are divergent opinions with the concept of Corporate Social Responsibility which has given rise to various definitions. There is an overview of some of the definitions of Corporate Social Responsibility that have been proposed over the years.

## III. Definitions of the term Corporate Social Responsibility

Bowen (1953)<sup>6</sup> refers “*the social responsibility of businessmen as an obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*”. According to this definition all the aspect of corporate activity should be integrated in such a manner to remain socially approved action. Thus, this definition lays stress on normative behaviour and covers the ethical behaviour of corporate sector and can be termed as a broad view of Corporate Social Responsibility and covers all its stakeholders.

According to Philip Kotler and Nancy Lee, “*Corporate Social Responsibility is a commitment to improve community well – being through discretionary business practices and contributions of corporate resources*”.<sup>7</sup>

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<sup>4</sup>Ramon Mullerat, “*International Corporate Social Responsibility: The Role of Corporations in the Economic Order of the 21<sup>st</sup> Century*”, 1<sup>st</sup> edn, (USA: Aspen Publishers, 2010), p.12

<sup>5</sup> *Ibid*, p 4

<sup>6</sup> Bowen HR, “*Social Responsibilities of the Businessman*”, (New York: Harper & Row, 1953)

<sup>7</sup> See definition of Philip Kotler and Nancy Lee

In view of Carroll (1979)<sup>8</sup>, “*the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. This definition is very comprehensive and covers all aspects which relate to all responsibilities of business*”. The scope of this definition is very wide.

The point in defining the concept of Corporate Social Responsibility is not just a technical exercise in explaining what corporations do, but is also as much a normative exercise in describing what corporations should be responsible for the society, or even an ideological exercise in explaining how the political economy of society should be organized in a broad manner.

#### **IV. Evolution of Corporate Social Responsibility in India**

The concept of CSR is not a recent phenomenon. It has a very long history and from time immemorial, it has been practiced in one or the other form by keeping in view the welfare of the society. The characteristics of the Indian society has evolved through the decades having been influenced by the foreign factors making it intensely diverse, being a vast country having a long history with unity in diversity.

The concept of Social Responsibility of business has evolved after passing through various levels of struggle. The concept of business began only for making money. The successful persons were those who made money in the business with no specific obligation and responsibility to the public. Since it was their own business and had a full right to do anything with it which urged them to increase their business and profits with no botheration about public interest and public responsibility. The business practice was very less influenced by social norms and behaviour.<sup>9</sup>

Many deliberations and researches have focused CSR as a concept in recent decades gaining academic importance in the business sense. It evaluates the values and eligibility for calculating a company’s contribution to the society. The social responsibilities are the forces in a society which makes a corporate to act in a particular way which is CSR’s central theme regardless of whether the society is a capitalist or socialist which may deter the deviation of business from

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<sup>8</sup>Carroll A.B., “A Three- Dimensional Conceptual Model of Corporate Social Performance”, *Academy of Management Review*, Vol. 4, pp. 497-505.

<sup>9</sup>*Ibid*

social responsibility. All the corporate which are contrary to the social interests may be wiped out by these courses. Since a corporate has its impact on the external environment, it must be accountable to the larger society rather than to only its shareholders. Adam Smith, a renowned Scottish Philosopher and Economist in his book “The Wealth of Nations” has described the need for market interactions which has free participation by individuals and corporate that serve the wants and desires of the society which has come into existence for the past 300 years as a core perception of business which is the social responsibilities. There are positive or negative benefits to the society from the business or commerce carried on by the people for their selfish reasons and for personal benefits. It is clear that, the corporate sectors should protect and safeguard the society’s interest by striving for the society’s welfare.

CSR has evolved into a multifaceted and complex concept from a marginalized and narrow notion over ages. Trade and commerce have witnessed a fast growth due to globalization which has effected changes in the philosophy of business enterprises management and administration.

India’s tradition is characterized by paternalistic philanthropy. This process has been informally followed since ancient times though the same has been acclaimed recently. The ethical principle of doing business was preached and promoted by Indian Philosopher Kautilya in his ‘*Arthashastra*’ and Western Philosophers from the pre – Christian era. Several ancient literatures enshrine the helping concept of the disadvantaged and the poor. Charity, philanthropy and religion were the CSR’s key drivers in the period of pre industrialization. In the 19<sup>th</sup> century, strong inclination was shown towards social considerations and charity by the industrial families. The donations were not an integral part of the business, but philanthropy or charity activities that were met out of the personal savings both monetary and otherwise, which did not belong to the shareholders. Schools, temples, hospitals, higher educational institutions and other infrastructural facilities for public use were established by industrial families during this period. In the early 1970’s, the term CSR came into existence and the main stream development in direct engagement of business and the concern for society’s disadvantaged groups were witnessed in the final decades of the 20<sup>th</sup> century. From traditional philanthropy and charity without societal progress, it was realised that questionable growth cannot be achieved and isolated business cannot succeed in the country like India. It has been surveyed that public prefer the goods and services of those companies who give genuine attention to the behaviour of socially responsible principles. The CSR concept has risen due to this and it is not a new concept, though from a very long time has been practiced with various names. It can be

said that CSR has evolved completely since it was practiced as donations and charity initially and later in the name of corporate philanthropy.<sup>10</sup>

After the formation of several multinational corporations in the beginning of 1970's, the term CSR came into existence undoubtedly. Since the ancient period in India, it has been widely evident that the connection between the initiatives which anchors corporates as wise citizens and the 'Karma' of the holy books of India is the phenomenon which has coined the word CSR.

Business is embedded in corporate philanthropy as a part of social welfare philosophy. Unlike western capitalism, few families in the late 19<sup>th</sup> century belonging to the traditional merchant communities took part not only in freedom struggle, but also in nation building process along with pioneering indigenous industrialization.

In 1944, before India got independence, a Development Plan for India named 'The Bombay Plan' was formulated by a group of concerned industrialists. It was further influenced by Gandhian Philosophy of Trusteeship which was reinterpreted and revived by Mahatma Gandhi as an ancient idea in which many Indian businessmen felt their business groups as a trust which was held in the interest of larger community. Initially, remarkable contributions were made by the businesses for encouraging hospitals, colleges, schools, etc and later the emphasis was transferred to supporting public health, technical training and rural development. Being a mixed economy, India saw CSR activities sponsored by State through larger public sector corporate in the post independent period.<sup>11</sup>

## **V. Gandhi's Trusteeship and Corporate Social Responsibility**

Gandhi's all-embracing principle dealing with wealth and wealth creation is the base of the principle of trusteeship. Trusteeship refers to a socio-economic philosophy where a wealthy individual or capitalists are considered as trustees and assigned with the responsibility of welfare of the people and society at large.

The concept of trusteeship principle founded by Gandhiji was very much evident through his

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<sup>10</sup> Dr.R.Indradevi and Ms,VeronicaE, "Corporate Social Responsibility (CSR) Strategy Implementation And Development In Indian Context", *Zenith International Journal Of Business Economics & Management Research*, Vol.5 (5), May (2015), p.65-68

<sup>11</sup> *Ibid* , p.74

speeches and writings over the years, but they were not codified in any stages. In spite of that Gandhiji propounded and was very much in favour of the philosophy of trusteeship council. He was of the opinion that this principle of trusteeship is very much needed to the Indian society. He believed in respect not through monetary means rather he wanted people to inculcate social values and think about the society at large rather than thinking about their own. Gandhiji was not against making money or conducting business which will yield more finance. He was in favour of distribution of wealth and income to every one instead of concentration of wealth in the hands of few. 'Live and let other live' was the principle encouraged by Gandhiji in every sphere of his life. It is a fact that man creates wealth not by independent means but he utilizes the natural resources and other resources from the surrounding due to which he is able to gain wealth because of which he is duty bound to share his income with the society. His main conception was man gains everything from the god and it is his duty to give back what is excess to him to the needy in the name of God. The main aim of Gandhiji was protection of human dignity and not mere material prosperity. He was not in favour of high standard of living rather he stressed for upliftment and enrichment of human life of every people.

The primary ground for trusteeship principle was that, wealth is derived from social component and it exclusively belong to the society, hence should be retained in trust, which is to be productively and prudently utilised for the benefit of society at large. The same principle of Mahathma Gandhiji can be easily protracted to corporate sectors. Present day commercial corporations are a legal stratagem for conglomerating financial and various other resources of mankind to be used in conduct of any kind of business with the final objective of profit making for their shareholders who bears a risk in the business by pooling heavy amount for a business. Corporations, having been incorporated, also brace a strong affinity to social and political networks of resourceful and willing people who join together for useful purpose, albeit for personal gain. The shareholders, those who are not in operational control especially, part with their finance of their own preference to invest it in the corporation ; in this sense they do bear a striking similarity to the citizens of a country foregoing part of their individual freedom to join in with other like-minded people into a political entity to safeguard their common interests with greater certainty than if they were on their own, like the citizens, shareholders do vest in their boards of directors the power to use their monies as they deem appropriate in overall interest of all the shareholders, and let themselves to be ruled by the directors and their executives. The directors on their part, not unlike the kings or rulers of the State, have their fiduciary obligations to the shareholders and the corporation – again similar to the ruler's

responsibilities to their citizens and the country of administering their estates with due care, diligence and loyalty. In both cases, there are countervailing provisions for abuse, mitigation or prevention, both by law and internal agreements and accepted best practices. The employees bring in their expertise and skills; the community provides them with their sanction to serve and operate the needs of the society. Modern corporations are so powerful and large that they truly resemble Nation States in their impact, complexity and operation. With such power the potential danger of abuse also come and it is in that background people explore the application of Gandhian principles to corporate governance. The Gandhian concept of welfare for all or *Sarvodaya* was the result of all his teachings that were but instruments in achieving this objective. Corporate Stewardship, in its application to a sub-set of society, also strives to promote an equitable welfare of all its constituents.<sup>12</sup>

As the Indian economy moved from agrarian to industrial, concerns were raised about the consequences of economic growth with an innate tendency to be imbalanced. The importance of business social responsibility to multi stakeholders was recognized and emphasized that social responsibility of an enterprise is responsible to itself, its customers, shareholders, workers and the community.

Even the emergence of non-family-owned business in 1960's and 1970's also saw an increase in numbers of trusts setup by businesses. Changes in India's paradigm in 1990's significantly affected the corporate sector, bringing freedom from controls and increased roles. This new found freedom carried with it certain social responsibilities.<sup>13</sup>

Corporate Social Responsibility in modern organizations has undergone a huge transformation, from being viewed as a part of their marketing strategy to a more generous approach for addressing the social and environmental concerns. With the development of company form of organization, shareholders dominated the corporate scene and shareholders model of Corporate Social Responsibility gained momentum and slowly the Gandhian concept of trusteeship with regard to the companies started to decline.<sup>14</sup> No doubt the Concept of Corporate Social

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<sup>12</sup>N. Balasubramanian, "Governing the Socially Responsible Corporation; A Gandhian Perspective", *IIMB Working Paper*, No.2009-11-298,( 2008) , p.2

<sup>13</sup>Mohan A.S., "Corporate Citizenship: Perspectives from India", *Journal of Corporate Citizenship*, Sheffield; Greenleaf Publishing (2001), p. 55

<sup>14</sup>Aparna Bhatia and Subhash Chander, "Corporate Social Responsibility Disclosure by SENSEX Companies in India", *Management and Labour Studies*, A Quarterly Journal of Responsible Management, Vol,XXXIX, No,1, ( Feb 2014), p,1

Responsibility has got a new shape with several developments and advantages due to the upgrading of the concept of Corporate Social Responsibility and various laws associated with the concept.

## **VI. The concept of Gandhian Principles and CSR.**

Gandhian economics is essentially the collection of Gandhi's thoughts on various economic systems. Gandhi was not an economist and he did not propound any new economic theory. In his time any discussion on economics was centered around two accepted economic systems - Capitalism and Socialism. Both were rigid in their own terms and even today there is no universally accepted economic system that can be uniformly applied over space and time. Every region can have its characteristic economic system which varies with time. One must take in to account the prevalent conditions; Socio-political, economic and educational status of the people; comparative advantages and disadvantages of the regional economy etc.

The Gandhian ideas of trusteeship, economics, environment industrialization, cottage industries, etc of the 20<sup>th</sup> century has taken shape into various conventions, legislations both at national as well as international level in the present day. The thinking and policies of Gandhiji has been inculcated in various spheres and the concept of CSR is also one among them where the concept of Gandhian principles is depicted into it.<sup>15</sup>

The socio-economic philosophy of Trusteeship propounded by Mahatma Gandhi essentially believes that it is the responsibility of the rich to use their wealth for the benefit of the under-privileged. It is in the enlightened interest of businesses to strengthen the societies they operate in. In India, even after over seven decades of independence, over 27 per cent of our population still live below the line of poverty. Social transformation remains very much work in progress. Unless we redefine the role of business in our society, we will continue to have structural problems that create conflict.

The Gandhian model of Trusteeship, while being uniquely Indian, provides a means of transforming the present unequal order of society into an egalitarian one. Along with the principle that surplus wealth needs to be kept in trust for the common good and welfare of

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<sup>15</sup> <http://swapsushias.blogspot.com/2013/12/gandhi-and-his-ideas-of-corporate.html#.XLGyoYkza1s> visited on 25-04-2023

others, it also specifies that everything we do must be economically viable as well as ethical and at the same time making sure we build sustainable livelihoods for all.

Several corporates in India today are larger than many countries. Given their size and the lives, they impact, they can engineer fundamental structural changes to solve the conflicts of society. This sheer responsibility calls for proper systems of corporate governance and finance in order to create more sustainable, distributive and responsible economies.

Business, done right, can generate social reform. It provides employment, leads to higher incomes, builds productivity, opens up opportunities for social mobility, breaks down caste barriers, puts a premium on education, etc. And for this 'right' kind of business, people are the core of all values.

It is believed that people will put their energies in an enterprise, of course, for financial considerations, but at a deeper level, for the pride in being part of the enterprise. For the meaning that the enterprise lends to their lives, the values that it embodies.

So, each enterprise needs a social vision, to attract the talented and to enable them to keep enhancing their sense of professional and personal fulfilment. This is not limited only to employees. It encompasses suppliers, distributors and even customers.

There are plenty of examples in our country of an enterprise exuding a social vision. I believe that this is not an option but is essential for a successful enterprise. Dig deeper into the success of any enterprise, and you will strike a social chord in it, be it Infosys or HDFC or Jain Irrigation, or 'Hamara Bajaj'.<sup>16</sup>

All over the world, and especially in a country like ours, with ineffective governance and considerable poverty and inequalities, there is a need and an opportunity for the well-off to help the less-advantaged and support important social causes which are under-funded.

The Government has recognized this and has expressed its appreciation and validation of the Trusteeship concept through the CSR legislation resulting in the omnipresence of this in

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<sup>16</sup> <https://www.ciiblog.in/from-the-trusteeship-model-to-the-new-vehicles-of-csr/> visited on 28-04-2023

today's India. So, while in the past the idea of Trusteeship was optional and practiced by a few evolved companies, it is now an inevitable element in the form of CSR which has made it compulsory to every companies who come under the purview of Section 135 of the Company's Act, 2013.

Corporate Social Responsibility links Corporate Sector to Social Sector. It is becoming more relevant in our society plagued by increasing inequalities between haves and have-nots. Corporate Social Responsibility means that the corporate sector, which earns profit through the sale of its goods and services in the society also has some responsibility towards it. This is essential to promote growth with equity and to achieve an inclusive society. Increasing number of industrial houses are taking active interest in the welfare of the employees, their families and society at large. Starting from the provision of basic necessities like drinking water, primary education, health facilities to the development of environment friendly technologies on regional/national or even international scale, they are working in various spheres. In taking up few initiatives, some of them also have enlightened self-interest in mind. They are not only able to advertise their products but are also selling them to the beneficiaries of their activities. Some of them are involved in the charity work like provision of mid-day meals to school children. Many of them have their own NGOs operating at ground level and in other cases they are involving the civil society in their activities.

As Mahatma Gandhi said, 'True economics stands for social justice; it promotes the good of all equally, including the weakest and is indispensable for a decent life.' This view sees equitable distribution of wealth as a measure of success. It also builds the case for CSR being embedded within the business values of an organization.

Four core principles define the essence of corporate citizenship; however, every company can customize them to meet its own distinct needs: minimizing harm, maximizing benefit, being accountable and responsive to stakeholders and supporting strong financial results.

Today, while we all agree with the concept of improving stakeholder value, let us redefine value to incorporate much more than profit. It is in this context that the 21st century corporation should see itself. Let a trusteeship-based framework that blends business with technology, environment, people, economics and culture be the primary paradigm for value creation.

What is important is a forward-looking boardroom agenda that develops responsible leaders, creates positive environmental value, positive social value and positive economic value in every aspect of business and its related supply chains, sees value in not just the products created, but the lives impacted; solves genuine, universal problems like hunger, livelihoods, education and healthcare, and drives innovation, not just in products, but in processes and new management thinking.<sup>17</sup>

After referring to the Gandhi's concept of trusteeship, it is understood that he wanted capitalists to act as trustees (not owners) of their property and conduct themselves in a socially responsible way. The similar form of trusteeship concept is depicted in the concept of Corporate Social Responsibility under the Companies Act, 2013 which stresses on the development of the society at large along with the development of the companies.

## VII. Conclusion

The concept of corporate social responsibility is a very age-old concept. Even though it got a legal sanctity after the passing of The Companies Act, 2013 still it was practiced in various ways from time immemorial. The main aim of the provision is the development of the society and the responsibility which is entrusted to the larger companies for the development of the society. Keeping in view the capacity of the larger companies in taking care of the society the burden and responsibility is shifted to the companies which will serve for the betterment of the society. No doubt the Gandhian principles have also stressed for the development of the society. Gandhiji has developed various theories and principles from time to time keeping in view the development of the society. His trusteeship theory concept matches the concept of the corporate social responsibility. He has undertaken various steps for the development of the society at large and it is the concept of trusteeship is depicted in the concept of CSR due to which Mahatma Gandhiji's Trusteeship principle is further strengthened in the present society and played a role in the development of the society through CSR Initiatives.

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<sup>17</sup> *Ibid*