

Dabhi, Jimmy C. 2007:68-99, 'Profit Making organizations and Development in India', in Jain, Mahaveer and Parth, Sarthi (Eds.). 2007, Annual Handbook of Human Resource Initiatives 2007, New Delhi: Initiatives and Interventions.

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## **Profit Making Organizations and Development in India**

### **Abstract**

A lot of debate is in the air about corporate social responsibility. There is also much debate, discussion and pressure for the Profit Making Organisations more commonly known as the Private Sector to voluntarily introduce affirmative action for the deprived sections of people in their organisations especially the Socio-Economically marginalised communities.

There are strong divisions over the issue at stake. Some of us see the logic of both the camps and find it difficult to take a stand. There are others who have strong reservations on the issue of reservations in jobs and elsewhere. There are some of us who, as responsible citizens of the country, would like to reflect and act. This paper is an attempt to reflect; of course I do not claim to be objective. As a human subject I am bound to be subjective.

In this paper I make an attempt to look at the larger perspective underpinning the debate and discussion. The paper will briefly examine the purpose of the Profit-making organisations, and lay out some definitions and understanding of socio-economic development in India. The paper will also throw light on the global phenomena of liberalisation and examine the ideologies that are pursued by profit-making organisations. The paper will briefly dwell on the For-Profit Organisations (FPOs) and their impact on society – local and global. An attempt will be made to relate human concerns with profit making. Finally the paper will conclude with some suggestions for FPOs and the social responsibility they have along with Civil Society and the State.

### **Introduction**

In the recent past the electronic and print media has been full of debate about corporate social responsibility. There is also debate, discussion and pressure on For-Profit Organisations (FPOs) more commonly known as Private Sector to voluntarily introduce affirmative action for the deprived sections of people especially the Socio-Economically marginalised communities in these organisations.

These debates and discussions are about concrete actions and provisions but they also have underpinning ideologies and discourses about society, development, human beings, social and political economy of the country besides other aspects of human life, and wellbeing. Often these ideologies are not talked about, articulated or presented squarely. They are often conflicting, contradictory, and ambiguous, while at times by design they are kept nebulous.

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Organised life and society has given rise to organisations of various kinds, creating and catering to various human needs. One needs organisation (hospitals and clinics) at the onset of one's life at birth and similarly one needs organisations (undertakers) at the end of one's journey in this world. Human life is closely linked to organisations whether we like it or not, whether they add to our happiness or mess it up. It is difficult to comprehend society without organisations. American sociologist Amitai Etzioni had said, "Our society is an organisational society" (Haralmbos and Heald 1981:278), so much so that the formal structures of organisations dominate human lives from the cradle to the grave (De, 1984). No wonder it is said that "what happens in our society happens in the context of organisations" (Mintzberg, 2000:338). There is hardly anything in our lives which is not touched, in some way, by organisations. Organisations not only fulfil individual and collective needs but they also function as agents through which nation-states and societies translate their aspirations (Chaturvedi and Chaturvedi, 1995; Dabhi, 2003).

Further, communities, societies and Nation States grow and develop through organisations of various kinds including the constitutional institutions / organisations. Largely this development takes place in and through organisations because of the advantage of collective knowledge, skill and strength that organisations have over individuals.

Organisations do not germinate on their own, they are human constructs, but designed and operationalised for a purpose (see Dabhi, 2004). It is not our purpose here to elaborate on what organisation are but a brief note on that is not out of place to understand their implications in society. An organisation is a formal group of people with one or more shared goals. The word itself is derived from the Greek word *ὄργανον* (organon) meaning tool. The term is used in multiple ways.

In the social sciences, organisations are studied by scholars from several disciplines such as sociology, economics, political science, psychology, and management. The broad area is commonly referred to as organisational studies, organizational behaviour or organization analysis. Therefore, a number of different theories and perspectives exist, some of which are compatible, and others that are competing (<http://en.wikipedia.org/wiki/Organization>). In this context organisations can be emphasised, studied differently though constituting all the aspects in them.

- Organization – process-related: an entity is being (re-)organized (organization as task or action).
- Organization – functional: organization as a function of how entities like businesses or state authorities are used (organization as a permanent structure).
- Organization – institutional: an entity is an organization (organization as an actual purposeful structure within a social context)

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In sociology 'organization' is understood as planned, coordinated and purposeful action of human beings in order to construct or compile a common tangible or intangible product or service. This action is usually framed by formal membership and form (institutional rules). Sociology distinguishes the term organization into planned formal and unplanned informal (i.e. spontaneously formed) organizations. Sociology analyses organizations in the first line from an institutional perspective. In this sense, organization is a permanent arrangement of elements. These elements and their actions are determined by rules so that a certain task can be fulfilled through a system of coordinated division of labour ([http://en.wikipedia.org/wiki/Organization# Organization\\_in\\_sociology](http://en.wikipedia.org/wiki/Organization#Organization_in_sociology)).

The stated purpose of an organisational entity is not the only purpose for its existence; there are unstated motives which often influence the organisational life more than the stated ones. One needs to examine the rhetoric of development contribution of many big corporate business houses, multinationals (including World Bank and Asian Development Bank). The development slogans are often a camouflage. There is need to unveil the unstated purposes to see whether these organisations are willing, equipped and committed to socio-economic development of the country besides their own development and fulfilling their profit objectives.

Organisations are complex in shape and size, in what they produce and provide, how they function and flourish, where they are located, whom they serve, and what they want to achieve and acquire. Organisations are normally viewed as Public Sector Organisations (PSOs), For-Profit Organisations (FPOs) and the Not-For-Profit Organisations (NFPOs) / Third Sector Organisations/ Development Organisations/ Voluntary Organisations (see Dabhi, 2003). We shall not be discussing the various sectors here but focus is on the For-Profit Organisation and the others. We want to examine theoretically the interface between For-Profit Organisations and socio-economic development of the country. Let us begin with the For-Profit Organisations.

Development of nations and world at large is done by what many of these organisations do, do not do and how they do.

### **For Profit Organisations and their Purpose**

Organisations may fall within different sectors as we have argued but the basic ingredients of an organisation are found in all sorts of organisations. All organisations have input, output and processes to turn the input into output in terms of product or services. All organisations will have people within them to govern and to manage, some kind of vision and mission, the objectives and

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strategies, the structure and work culture, rules and regulations, monitoring and assessment systems and finance and other resources to run the organisations.

A profit-making firm, like any human institution, is an artefact, something that people make deliberately. It is suggested (Kennedy, 2002:57) that the purpose of any artefact, including a business firm, is to bring some human good into being, either directly (as in a work of art) or indirectly (as a tool). One artefact may be better than another in several different ways. It may be better because it brings about good more fully, or because it brings about better good. If it is a tool, it is superior if it brings about its 'proper good' more efficiently, or with more certainty, or if it is useful for producing more than 'one good' effectively. Kennedy argues that according to the economic paradigm, a business firm is strictly instrumental and therefore the proper activities of a business firm are entirely directed to goods that are external to the firm itself. A firm is established to create wealth for the shareholders, who will use that wealth for their individual purposes, and it produces goods and service that customers will once again use for their own satisfaction. It is further argued that in an economic schema a good firm will be one that succeeds in efficiently producing goods and services that customers are willingly to pay for, and so creates a significant amount of wealth for the stakeholders. The fair, just, respectful treatment and protection of employees' human rights are not considered well in itself but may be considered an appropriate means of accomplishing the ultimate goal of wealth creation (Kennedy, 2002). The definition of profit may throw some light on our discussion here. Profit from Latin meaning "to make progress", is defined in two different ways. Under capitalism, profit is a positive return made on an investment by an individual or by business houses. Under the Marxist definition it is a mechanism of class exploitation, where surplus value is extracted by capitalists from their workers and suppliers beyond the point where costs are covered.

The profit-making enterprises being free to make as much profit as they can given market conditions is regarded by capitalists to be a good thing. It is held to give firms incentives for 'allocative efficiency' and technical efficiency. A firm is allocatively efficient when its price is equal to its marginal costs. A market will be allocatively efficient if it is producing the right goods for the right people at the right price. An allocatively efficient market is therefore one which has no imperfections. This is possible in a situation where society produces goods and services at minimum cost that are wanted by consumers, and then market is allocatively efficient. This does not happen – economic theory and reality often do not match, neo liberalization is a good example in many aspects. Classical economists use profits to measure the happiness/utility/general welfare, gained by society, and understand that high profits demonstrate high value of the factors used in the production of such goods.

The distinction between for-profit and not-for-profit organisations is largely determined by the profit motive of the shareholders and owners of the

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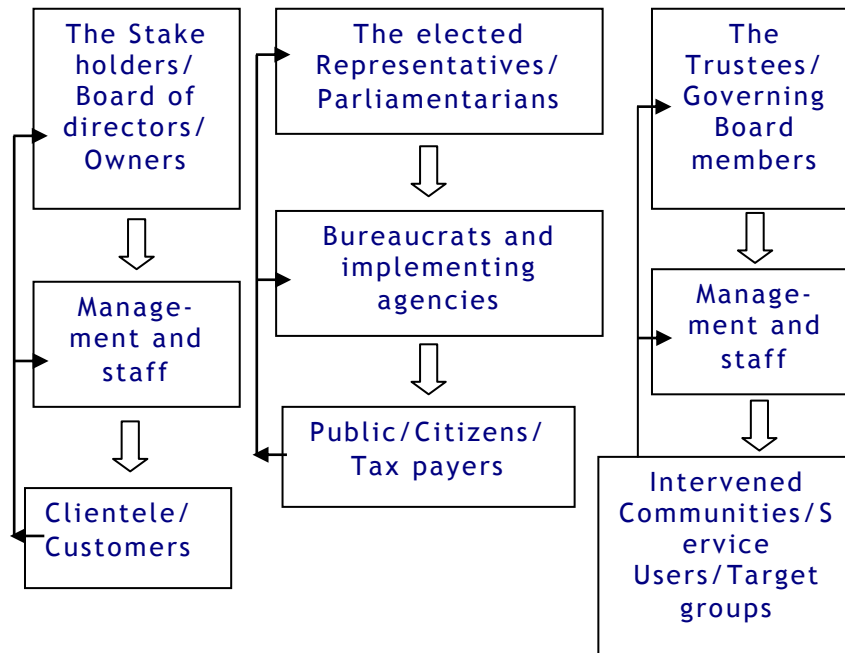
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organisation. Contrary to Not-for-Profit organisation, the governance (Board of Directors) of a Profit-Making organisation consists of stakeholders who have invested their resources into the organisation to get some dividend on what they have invested. In other words they would like that their investment in the organisation earns them surplus/profit. Putting it differently what they have invested is primarily for profit and a resulting development of 'others' out of that investment is desired but not necessarily intended. Development of the area, of people and country at large are all by-products of profit and not vice versa. We do not want to discuss the ethics of business here but want to look at the real objective of business and the public rhetoric.

The For-Profit Organisations can be categorised in many ways: for example they can be distinguished by their output in terms of services they provide, products they make, the class of people they target – the elite, the middle class, the poor section of society. The FPOs may be categorised by products which are catering to basic needs and necessities of people and those to promote newer needs for more luxury, higher comfort and maximum pleasure. Yet there are other categorisations in which the FPOs are placed in terms of their socio-economic and political ideologies and affiliation. Some FPOs adhere to socialist or left ideologies while some to capitalist and right wing ideologies. FPOs can therefore be promoters of consumerism or promoters of public good. Some FPOs enjoy high political patronage and therefore a sizeable portion of their profit goes to socio-political organisations which further their interests (see Stiglitz, 2003). There are yet a few FPOs, who while not deviating from their profit motive, do not conduct their business unjustly, inhumanly or without a conscience; these few as they may be – adhere to law of the land, some ethical guidelines and humane principles (Alford and Naughton, 2001, Cortright and Naughton, 2002).

The Profit-Making Organisations follow the principle of demand and supply. Organisations have outputs (service or/and products) which meet the demand in society. Human demands stem from human needs and human rights. But profit-making organisations are not known to be very sensitive to human rights. Experience and observation suggests that human needs are difficult to constrain – the more you have the more you want to have. The capitalist ideology endorses that *to have is to be*. Your social status depends on how much and how often you can buy. In more than one way in the market oriented economy your humanness does not depend on your 'being' but rather on your 'having'. The way human needs are approached by profit making organisation is quite different from that of PSOs and NFPOs. Let me explain through the chart.

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The organisations in Public Sector provide and produce service and products to citizens of the country based on the needs of citizen and the country adhering to the law and regulation of the land. These needs and demands are provided charging certain fees and taxes, tariffs, duties etc. The earning of services and products through these fees, taxes and duties go to the government treasury which then is used to pay the staff, bureaucrats, maintenance of the public sector units/organisation, research and development (R & D). The surplus or/and the profit does not go in the pockets of the ministers and parliamentarians.

In the case of For-Profit Organisations the dynamics are different. The customers buy the products and services. These products and services may be the outcome of a market survey and assessment of demands of certain kinds of a targeted section or society in general. The FPOs are known for aggressive marketing of their services and Products (by heavy budget advertisement and publicity) to public and lure potential customers to buy these products and services including means of productions (technologies, instruments, machines, gadgets etc). Surplus/profits earned from the sale go to the owners/board of Directors/stakeholders. The earnings are distributed as remuneration/salary for management and staff (often fat salary compared to what the 'labour class' gets in these organisations), for maintenance of units, R & D of the product and production. A large chunk of the profit goes to the stakeholders and owners compared to what goes to the labour component down the hierarchy in the organisation.

The scenario in the Not-for-Profit Organisation is different from the above two sectors we have discussed. The output of service and products are not as clearly demarcated as the other sector organisations. For example various social



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issues and human rights campaigns and movements may be difficult to define as services or products. There is a large spectrum of voluntary organisations from charity, relief, welfare, development to human rights actions, training and research for advocacy whether it is right to work, right to information, rights to development of natural resources, rethinking development, democracy, resistance against fascist forces in the country, right to human dignity, security, justice and peace (Dabhi, 2003, 2004). The organisational ills of lack of transparency, autocracy, individual power centres and obsessions, intolerance for pluralism, caste, class, religious and gender discriminations are found in some of these voluntary organisations as well like the Public and Profit making sector organisation (Dabhi, 2006), but the degree and scope may vary.

These organisations are not supposed to make profit. If some fees are charged or some interest earned is on their corpus it goes to the programmes and projects to fulfil the organisation's mission and/or to pay the staff of the organisation. Voluntary Organisations may not have volunteers to carry out their programmes and projects but those who are on the trustee board/governing board are volunteers and do not receive any remuneration or financial gain from the surplus the organisation may generate. No doubt some of the executives and senior staff in some of the voluntary organisations in India receive a huge remuneration camouflaged in various packages.

Therefore For-Profit Organisations are strikingly different from other organisations of the other two sectors namely Profit making and Public Sector. In the final analysis what matters to the Profit-Making Organisation is the capital gain, wealth creation, the other benefits and the social good created is secondary.

Organisation Development (OD), development of staff and neighbourhood is important and necessary to the extent it contributes to the main goal of the organisation – profit, capital gain for the stakeholders of the organisation. A capacitated staff is a value addition to the organisation's strength. A healthy and educated neighbourhood is a potential recruitment ground for organisation's labour intake.

### **What is Development?**

The development discourse over the years has changed. One even has to distinguish the genuine intent of the actors from the rhetoric in various circles whether it is government, Profit making sector and various business chambers and even among NGO sector (especially those who are pro-establishment and fund-driven). There is no dispute that economic development is one of the necessary requirements for accelerated income, poverty reduction and sustained human development. Economic development therefore has always been emphasised, often equated with development of the community, country and the world. Protagonists of economic development consider Free Market as the determining factor for development and change.

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This development is viewed differently by different groups, communities, classes, regions. Often the perspectives of these groups are in conflict with each other. For example the way women perceive development may not be the same as men and therefore there will be need for gender perspective to development. For example Haryana and Punjab are high on economic development (per capita income) but pretty low on sex ratio – the missing women factor. The way the slum dwellers see development may not exactly suit the elite of the country. The elite would like to see beautified cities and riverbanks without proper settlement of the poor. The way the tribes and schedule castes may like development to take place may be unacceptable to others. The millions of displaced (by dams, infrastructure, industries, national parks/sanctuaries, mines, power/energy projects, etc) will strongly detest the development dictated to them by governments, Multinationals, WB, ADB, and some sections of civil society. Religious and ethnic minorities may view development differently from the majority. In other words the way development is viewed by the top in the social ladder of class, caste and gender, those in the middle and those at the bottom may be conflicting and contrasting.

Yet some will view development only in economic terms as a process of improving the quality of human life through increasing the per capita income, reducing poverty, and enhancing individual economic opportunities. Yet some may view it as an improvement in the efficiency of resource use so the same or greater output of goods and services is produced with smaller inputs of natural, manufactured and human capital (UNESCO).

The idea of free markets initially was based on a number of principles, namely potential harmony between individual self-interest and public interest without state interventions; the equilibrating tendencies of the forces of supply and demand in free markets; the achievement of high productivity through specialisation and the division of labour; and, most importantly, the ability of the market to yield natural or just prices (Richard and Hartwick, 2005: 21). With the coming of the concept of private property things changed. The concept of ownership of means of production and the produce; accumulation of surplus capital, wage labour and relationship between the employer and employee things have changed drastically. The development economics, counter development economics, liberalisation and neo-liberalisation have changed the situation drastically for us especially for the developing countries and poor within these developing countries.

“The effect of growth on the poorest members of society are controversial. Has growth been harmful to the poor, as some have argued? Or has growth tide raised all boats, as others have argued? (Helpman, 2005:105).” I would like to argue that the growth tide has raised many boats but not equitably and in the process some boats have been damaged and even sunk (Dabhi, 2006).

The economic growth and development during British rule was 'primarily geared to pump out surplus' (Shah, 1997:29). The change that India has



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experienced after independence from British colonial rule speaks volumes about economic growth and development in the country. These changes would not have been possible without economic growth and development. In many sectors we have planned and managed our development well enough to improve the quality of life of Indian citizens and address some of the problems we have had. However, it is well understood that development is no longer considered identical with economic growth (Kumar, 2003).

Therefore, equity (distribution) and social justice (equality) are at the heart of development. Equity and therefore distribution of wealth and assets is closely related to poverty. But this does not mean that the concept of inequality is identical to the concept of poverty. A community may be poor and yet may be less unequal compared to other communities. On the other hand, a community, rich with wealth and resources may have a high level of inequality. For example economically rich states like Punjab and Haryana have highly unequal sex ratios.

It has been observed, "Economic growth is measured by the rate of change of real per capita income. A country with a growth rate of one per cent per annum doubles its living standard every seventy years, while a country with a growth rate of three per cent doubles its living standard every twenty-three years. It follows that prolonged difference in growth rates produce dramatic differences in living standards (Helpman, 2005:2)". In real terms it would mean an increased per capita income. Further, it will mean reducing poverty and enhancing individual economic opportunities.

Some examples need to be cited where economic growth and related economic development are obvious. India's **Gross Domestic Product (GDP) for 2003 was \$560 billion**. Though fluctuating to some extent our economic growth in 2003-04 was eight per cent, which is the second highest in the world, second only to China whose growth rate is 10 per cent. The per capita income has increased after independence. The level of poverty has decreased over the decades (see HDR, 2005).

Average per capita income growth in developing countries in the 1990s was 1.5%, almost three times the rate in the 1980s. Since 2000, average per capita income growth in developing countries has increased to 3.4% - double the average for high-income countries (HDR, 2005:20). The Human Development Index (HDI) is a composite indicator and covers three dimensions of human welfare: income, education and health (HDR, 2005:21). Examining the economics of various countries through the prism of HDI one realises that the developing countries are low on the scale of all the three indicators. The disparities and variations among some of the indicators are high within the regions of these developing countries. For example compared to Andhra Pradesh, Punjab is high on per capita income, but in terms of sex ratio Andhra is high. Education among women is high in Kerala but quite low in Haryana. Profit making hospitals have increased in last decade but public health service spending still remains a small percentage of our GDP.

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Peet Richard and Elaine Hartwick (2005) in their book 'Theories of Development' argue that in a strong sense, development means using the productive resources of society to improve the living conditions of the poorest people. In the narrower sense they say development means more of everything for everyone in the context of a lot more for a few. The latter form of development basically means economic growth led by elite and that is what we see in recent times. The world's richest 500 individuals have a combined income greater than that of the poorest 416 millions (HDR, 2005). Nelson Mandela said, "Massive poverty and obscene inequality are such terrible scourges of our times – times in which the world boasts of breathtaking advances in science, technology, industry and wealth accumulation – that they have to rank alongside slavery and apartheid as social evils". It is argued that poverty and inequality could be overcome if our progress was not faltering and uneven.

Julius Nyerere in 'Man and Development' argues, "For the truth is that development means development of the people. Roads, buildings, the increases of crop output and other things of this nature are not development. They are only tools of development. A new road extends a man's freedom only if he travels upon it. An increase in the number of schools buildings is development only if these buildings can be, and are being, used to develop the minds and the understanding of people. An increase in the output of wheat, maize or beans, is development only if it leads to the better nutrition of the people".

#### **DEVELOPMENT FROM TOP OR FROM BOTTOM**

"Speaking of economic development, one often talks of raising the average. But the average may be raised either by lifting the top or lifting the bottom. These are two alternative strategies for approaches to development. The first is often chosen on grounds that it raises the average faster. It may do so. But in the process, the distance between the top and the bottom increases to the point of becoming insufferable. Even in purely economic term as, existence of large economic disparities within the economy limits the possibilities of overall development and growth. The other alternative, lifting the bottom, may appear slow in raising the averages, but the process continuously widens these possibilities by broadening the base of development and growth. The problem of regional disparities has been with us for far too long. In approaching it is with this alternative strategy, namely development by lifting the bottom. We have a chance to make a new beginning"

Source: Report of the Fact-finding Committee on Regional Imbalance in Under the Chairmanship of Prof. V. M. Dandekar, Pp. 35-36 quoted in Joshi, P. C. 2002:186, Marxism and Social Revolution in India and Other Essays, New Delhi: Manak Publications.

Let me cite some indicators where development can be concretely observed and measured. From the perspective of human-needs centred development, Thomas and Potter (1992:123) furthering argument of Dudley Seers (1979) in his article

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'The meaning of development' put forward conditions for development in an extended list of eight;

1. low levels of material poverty
2. low level of unemployment
3. relative equality
4. democratisation of political life
5. 'true' national independence
6. good literacy and educational levels
7. relatively equal status for women and participation by women
8. sustainable ability to meet future needs.

The debates over environment have given rise to the concept of 'sustainable development', and gender and caste perspectives are also important while considering development. Women, children, the aged and the physically challenged are some of the worst victims of discrimination and exploitation, and those among Scheduled castes and Tribes are worst among the worst

The rise of fundamentalism in India, the events of 1992 – the Rath Yatra, the demolition of Babri Mosque, communal riots, and the Gujarat carnage of 2002 bring in another dimension to development – the need for secularism and depoliticisation of religion. Jain (2000:44) suggests "Development must be woven around people, not people around development and it should empower the citizens with an awareness of the issues to participate in the development and politics and not to make them share the corruption of the politicians".

In the last decade or more the human rights perspective has gained momentum in development discourse. In spite of the difficulties and complications involved attempts are made to comprehend and define human rights. "To put it simply, human rights constitute those very rights which one has precisely because of being a human. They are inherent in our nature and without which we cannot live as human beings. Human rights pertain to all persons and are possessed by everybody in the world because they are human beings. They are not earned, bought or inherited nor are they created by any contractual authority. Differences of sex, race, language, colour and differences of property, social origins, political ideals or religious beliefs do not change these rights" (Alam: 2000:13). Baxi would argue that the right to be human is, of course, the leitmotif of all human rights thought and action (Baxi: 1994). Economic growth and development are seen as either promoting human rights or violating human or community rights. Technically, "*Human Rights* means the rights relating to life, liberty, equality and dignity of individual guaranteed by the constitution or embodied in the International Covenants and enforceable by courts in India" [see protection of Human Rights Act, 1993, Section 2 (d)].

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Summing up this section, we can agree upon some points, namely, reducing poverty is a fundamental objective of economic development and second, development is a multi-faceted process with political and social-cultural as well as economic aspects (see World Development Report 1990, also see Gujarat Human Development Report 1999). To quote Mahbub ul Haq, the leading economist of Pakistan and the architect of the Human Development Reports

'The basic purpose of development is to enlarge people's choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives' (Mahbub ul Haq)<sup>1</sup>.

Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means — if a very important one — of enlarging people's choices. Having discussed the purpose of the For-Profit Organisations and development let us move on to see how the FPOs influence the development of society and country at large.

### **Profit making organisations – their impact local and global**

Our assessment of Profit making organisation is in the context of development we have discussed in the previous section. An outsider visiting India after 1992 will see a vast difference in India they had seen and what they see after the introduction of new liberal economy. There is no doubt that economic growth has taken place and it reflects in the development one see around in terms of huge malls, restaurants, hotels, variety of luxury vehicles, flyovers, fast lane super highways, tourist/disco hang outs, night clubs, farm houses, variety of fabric and designs, architectural monuments, mansions and residential areas, IT and other industries, huge sophisticated 'high-fees' clinics, hospitals, private funded elite educational institutions, financial institutions, etc. Some statistics may help. The total number of telephones (basic and mobile) rose from 22.8 million in 1999 to 88.6 million by the end of October 2004. Tsunami and the Kashmir earthquake have proved that we are capable of generating finance and other resources to handle mass relief and rehabilitation operations. The Profit making organisation assisted in a big way in relief and rehabilitation operations. One simply cannot deny the progress and economic development India has achieved and the profit making sector organisations have a huge share in it. Having said this one must also

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<sup>1</sup> 'What is Human Development'. Source: <http://hdr.undp.org/hd/>

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acknowledge that the ground reality in India shows that the economic growth has not been equitable. The growth that has taken place has serious disparities in terms of needs/ facilities/amenities, areas, region, sex, class, and castes.

In 1991 the structural adjustment programme (consisting of globalisation, liberalisation and privatisation) was introduced in India under certain economic and political compulsions. The underlying assumption was that free trade will bring about economic growth and subsequent development for all including arresting poverty. However, for most of the Third World, trade liberalization really meant neo-colonialism and a hegemonic worldwide capitalist system, represented largely by the US and a few other powers. Shah (1997:29) argues "International capital and organisations are interested in the Third World because on the one hand labour is abundant and cheap, and on the other, the middle-class elite market is vast. Kumar Shashi (2004), argues that globalisation of trade (not labour) is basically a take over of the rights of citizens by multinational corporations through dismantling of the structures of the state that protect people. He goes on to say, "It is, therefore leading to less freedom for people, but more freedom for capital" (Kumar, 2004:79). The author further argues that the 'global' discourse in the free market of the globalised world is the political space in which the dominant locals seek global control, and free themselves of local, natural and global control and responsibility and limits arising from imperatives of ecological sustainability and social justice. This has been the case in India.

Poverty has accompanied economic growth. It is multifaceted, its nature, dynamics and intensity change from place to place, over time – "the special map and social base of poverty have significantly changed over time and poverty is increasingly concentrated in a few geographical locations and among specific social groups" (Radhakrishna and Rao, 2006:15).

We argued that number of the profit making educational institutes such as schools, colleges, technical, professional and management institutes have mushroomed and yet India lags behind in terms of literacy rate and over all education among the marginalised communities. It is easy to blame the communities for their backwardness but quite challenging to see what our responsibility is.

According to the 2001 Census, in spite of an increase in primary schools in India where children should be, there were 1,25,91,667 working children (age group of 5-14). Andhra Pradesh, Bihar, UP, MP and Rajasthan are leading states in this respect.

The hire and fire policies in various industries may have improved efficiency in some sectors but it has made many jobless and homeless. The real wages of casual labourers have risen during the 16 years between 1977-78 and 1993-94 but at the same time disparities in salaries of casual labour and professional 'labour' has increased manifold, affecting the purchasing power of the poor in an ever increasing price rise of food, clothing and health.



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Inequality and disparity in terms of salary, facilities, access to opportunities, and access to capacity building to avail the opportunities are found in all organisations. However inequality and disparities have increased in last few decades more so after the introduction of liberalisation. "The ratio between the incomes of the richest and the poorest country was 3:1 in 1820, it became 35:1 by 1950 and shot up to 72:1 in 1992. What is true of countries is also true of classes. In 1960 the richest 20% of humankind was earning 30 times of what the poorest 20% earned. By 2000, this disparity doubled, it became 60 times. In 2000 the richest 1% of world population received as much income as the poorest 57%. With the advent of globalisation the situation has further deteriorated" (Ooman, 2006:7-8). The Profit making organisations have contributed a great deal in increasing economic inequality and disparities. Extreme inequalities also weaken political legitimacy and corrode institutions. Inequalities in income and human capabilities often reflect inequalities in political power. Extreme inequality is not just bad for poverty reduction—it is also bad for growth (HDR, 2005).

We have argued "what happens in our society happens in the context of organisations" (Mintzberg, 2000:338). In almost all the cases whether it is globalisation and liberalisation, attack on Iraq and Afghanistan, Tsunami relief and rehabilitation, Gujarat Carnage of 2002, insurgency in Kashmir, Manorama rape and murder by the security forces and the nude protest of the mothers in North East, the dam and mining projects and displacement of millions of people caused by them, price rise, fall in stock market, in all these the profit making organisations have some role to play directly or indirectly. It is not my purpose to blame the FPOs but it is very difficult to ignore the reality.

Thus "organisations are singled out", in the words of W. R. Scott, "as the source of many of the ills besetting contemporary society" (Pfeffer, 1997:4). Organisations as part of society are thus capable of building human society, but they are equally equipped to dominate, exploit and destroy society. "This process of domination and exploitation is made possible through financial, political, bureaucratic and sometimes even judicial organisations, structures and processes" (Dabhi, 1999:25). Clark (2002:96) in his article 'Competing Visions' quotes Donal Dorr, "We live a stratified society where certain economic, political, cultural and religious structures maintain and promote the dominance of the rich and the powerful over the mass of ordinary people and peoples".

This very ubiquity of organisations suggests that understanding how and why people think and behave as they do in organisations, and what impact organisations have on people's thinking and behaviour, would be a central concern, formally or informally, of anybody and more so of those who are engaged in educating young minds. But there is even more to it than this (Jackson and Carter, 2000). The authors argue that there are large issues which revolve around these two sides of organisational behaviour - the ways people think and behave in organisations and the impact of organisations on people's thinking and behaviour - which are, ultimately, to do with the well-being of society in general and of the individual



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members of society. The tremendous goods flows from organisations - for example, food, health care, education, entertainment, as well as relative economic prosperity. But they can also do tremendous damage. Such damage can have many causes, such as the production of disaster, unwise practices with deleterious long-term consequences, the threatening of the well-being, health and sanity of individuals.

There is hardly any government development projects – infrastructure, dams, mines – where FPOs are not engaged. In the name of development, the natural resources in many of the states are exploited at the cost of people especially the tribals and other marginalised communities. In Jharkhand, Chhatisgrah and Orissa more than 40 MoU each are signed by the government inviting MNCs to set up their enterprises (TATA, Mittal, Vedanta are some of the big players among others).

Economic liberalisation, globalisation and growing power of the corporate sector have caused havoc to the Adivasis and the environment. The new policies allow not only government but also multinationals and private companies to operate in tribal areas, even 5<sup>th</sup> Schedule areas, and give them access to natural resources be it land, water or minerals. In the name of “public purpose” (as with uranium mining) or “development” (as with dams and mines), sanctions have been given to such projects without the prior knowledge, leave alone consent, of the local people. In many cases, approval of these projects is in open violation of existing laws and constitutional safeguards (Bhatia, 2005).

In a country like India economic growth and development cannot ignore creation of jobs. In spite of all rhetoric of employment generation by government and private sector the economic growth shows that there is jobless growth. The employment scenario is far from desirable. At the golden jubilee celebrations of Andhra Pradesh State Finance Commission P. Chidambaram said “there are over one crore small and medium Enterprises in the country, employing over 2.5 crore people. They contribute about 40% of all industrial production and about 40-50% of our exports. However, only 5% of Small and Medium Enterprises have access to institutional credit.” (The Economic Times, New Delhi, 16<sup>th</sup> November 2005, p.20). The situation of urban poor in terms of shelter, employment, civic amenities, and access to quality educations is appalling. The ratio of urban to rural poor is 1::3.5.

Profit making organisations, business houses, multinationals, trading companies and financial institutions and their stakeholders have their own vision and ideological underpinnings in running their business. These enterprises are neither apolitical nor value free in the way they go about their business and pursuing their goals and display their beliefs and values in their business deals, their advertisement, their client relationship, their legal compliance, their governance and management systems and their use of resource from society and country at large.

The ‘logic of the market’, that is, the ideas, practices and institutional behaviour that absolute profit making is the primary value of humankind (Social

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Jesuit Secretariat, 2006:10) is a dangerous one. The ultimate goal of creation of capital and wealth is most obvious but along with it they display an underlying assumption about human life and human being which is - **to HAVE is to BE**. In other words your wellbeing, social status, self-image and social credibility is directly related to the wealth, capital, resources you have, control or can capture; not on what you are (your ontological being). Kennedy (2002:58) suggests "The creation of wealth is a good thing, but not in and of itself". He goes on to argue "The creation of wealth for the purpose of prosecuting an unjust war is simply not good, nor is the creation of wealth that requires the destruction of other human good along with way".

The rise of culture as an economic good has added to the identification of culture with commodities that can be sold and traded – crafts, tourism, music, books, and films etc. Although the spread of ideas and images enriches the world, there is a risk of reducing cultural concerns to protecting what can be bought and sold, neglecting community, custom and tradition (HDR, 1999:33). The Report states that for the USA the largest single export industry is not aircraft, computers or automobiles – it is entertainment, in films and television programmes. The global market for cultural products is becoming concentrated, driving out small and local industries (HDR, 1999:33).

The rapidly increasing multilateral agreements – the new rules – are highly binding on national government and constrain domestic policy choices, including those critical for human development (HDR, 1999:35). Often these multilateral agreement increase the domination of the developed countries. There is a rising sense of being invaded, pillaged and plundered by smaller and poor countries by the Multinational Corporations (MNC), powerful countries and elites within their own countries. The MNCs whose turnover sometimes is greater than that of the countries with which they trade often enough erode the sovereignty of these small countries and the local governments then become puppets in the hands of the MNC. African and some Asian countries are cases in point.

From a human development perspective trade is a means to development, not an end in itself. Indicators of export growth, ratios of trade to GNI and import liberalisation are not proxies for human development. Unfortunately this is increasingly how they are treated. The world's highest trade barriers are erected against some of its poorest countries (HDR, 2005:10).

The WTO has been the focal point of criticism from people who are worried about the effects of free trade and economic globalisation. Opposition to the WTO centres on four main points:

- ✓ WTO is too powerful, in that it can in effect compel sovereign states to change laws and regulations by declaring these to be in violation of free trade rules.

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- ✓ WTO is run by the rich for the rich and does not give significant weight to the problems of developing countries. For example, rich countries have not fully opened their markets to products from poor countries.
- ✓ WTO is indifferent to the impact of free trade on workers' rights, child labour, the environment and health.

The WTO negotiation failures are a reflection of the resistance the developing and less developed countries are trying to put up.

Social tensions and conflicts are ignited when there are extremes of inequality between marginal and the powerful. While India Inc is proposing to raise the salary of most of its Chief Executives in 2005-06, the number of CEOs drawing an annual salary of over Rs 1 crore (10 million Rupees) has already crossed 200 in 2004-05 compared with 162 in the previous year. The list will look even longer as several large companies, including Reliance Industries, have not yet released their annual reports (Business Standard, 5th July 2005). Let us compare this with the revised rates of minimum wages where percapita income is highest (In all the scheduled employment for all categories w.e.f.01.08.2006):

	<b>Unskilled</b>	<b>Semi-skilled</b>	<b>Skilled</b>
Per Month	3312.00	3478.00	3736.00
Per Day	127.38	137.75	143.70
<b>Clerical and Non-Technical Supervisor Staff</b>			
	Non-matriculate	Matriculate but not graduate	Graduate and above
Per Month	3505.00	3760.00	4072.00
Per Day	134.80	144.60	156.60

Recent research on complex humanitarian emergencies concluded that 'horizontal inequalities' between groups – whether ethnic, religious or social – are the major cause of the current wave of civil conflict (HDR, 1999:36) all over the world and India is no exception. The Profit making enterprises cannot wash its hands from these conflicts as they have a role in creating disparities and inequalities.

Unrestricted market has been one of the main objectives of globalisation. However Joseph Stiglitz, the Nobel Price winner argues "Globalization, as it has been advocated, often seems to replace that old dictatorship of national elites with new dictatorships of international finance. Countries are effectively told that if they don't follow certain conditions, the capital markets, including the speculators whose only concerns are short-term rather than the long-term growth of the country and the improvement of living standards, 'discipline' them, telling them what they should and should not do (Stiglitz, 2003:247). Stiglitz goes on to say, "But for millions of people globalisation has not worked. Many have actually been made worse off, as they have seen their jobs destroyed and their lives become

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more insecure. They felt increasingly powerless against forces beyond their control. They have seen their democracies undermined, their culture eroded" (Stiglitz, 2003:248).

Privatisation has done away with the corruption of government bureaucracy of licensing Raj. It has made many public sector units take stock of their business and improve their functioning. To some extent it has challenged the monopoly of a few and brought in other players in the market. However privatisation has had its not so bright side as well. In the name of efficiency and high productivity the interest of workers are ignored. Often efficiency has been at the cost of employment generation. "There is; in fact, considerable truth in both positions. Privatisation often turns state enterprises from losses to profits by trimming the payroll. Economics, however are supposed to profit by overall efficiency. There are social costs associated with unemployment, *which private firms simply do not take into account*. Given minimal job protections, employers can dismiss workers, with little or no costs, including, at best, minimal severance pay" (Stiglitz, 2003:57).

#### **GROWING INEQUALITY WORLDWIDE**

In 1995, world-wide GDP was of the order of \$ 27,846 billion, as compared with \$ 4,000 billion in 1960. Of that total, \$ 22,788 billion (81.8 per cent) went to the industrialized countries, which contained 20 per cent of the world's population. The share of world GDP taken by the OECD member countries increased from 68.2 per cent in 1965 to 71.1 per cent in 1990 and 82.4 per cent in 1995. Assuming an average rate of growth of income per head of 3 per cent annually the equivalent of doubling in a generation - it can be calculated that the proportion of men and women enjoying an adequate growth rate fell from 54 per cent in 1965-80 to 37 per cent in 1980-93. During the same period the percentage of persons living in countries in which income per head increased on the average by more than 5 per cent annually rose from 12 per cent to 27 per cent, while the percentage of persons living in countries experiencing negative growth increased from 6 to 18 per cent. Between 1980 and 1995 some 15 countries, mainly in Asia experience much more rapid economic growth rates than the Western countries had known at any time during two centuries of industrialization; but in 90 countries the situation deteriorated although in some of them there was a slight improvement in 1994-95.

Source: Bartoli, Henri. 2000:53, Rethinking Development - Putting an end of Poverty, New Delhi: Rawat publications. First published in Paris, 2000 by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

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The economic reforms introduced in the 1990s have not been widespread. Apart from a few showpiece cities, investment has remained low and growth has not significantly improved the economic status of the urban poor. The proportion of people living below the poverty line in many states is now higher in urban areas than in rural areas. Developed states, such as Punjab and Karnataka, and the less developed states like Andhra Pradesh, Kerala, Madhya Pradesh, Uttar Pradesh and Rajasthan, have reported higher levels of urban poverty than rural poverty for a number of years (Kundu, 2000).

In an interview Amartya Sen said (The Hindu, January 9<sup>th</sup> 2006), "We need a radical change in the way health delivery in the public sector occurs. India spends a lower percentage of GDP on public health than almost any other country, including those of similar income levels. The neglect here is massive, particularly because this has led to both the substandard delivery of public health and the development of an immensely exploitative private enterprise in healthcare that survives on the deficiencies — and sometimes absence — of public health attention".

We have argued that Profit Making organisations have contributed to economic growth needed for development. But we also argued that economic growth is not equivalent to development. As much as the Profit Making organisations contribute to growth they are also directly or indirectly causes of many ills in the society, county and world at large.

### **Human concerns and profit making**

One cannot talk of a market economy with a human face. The human face has become a façade, a rhetoric with no responsibility or accountability. The profit making of the market economy must be held responsible and accountable to sustainable development of the area and country. Profit making cannot be devoid of human concern and social responsibility. Economic growth and capital are essential for development of a country and global trade as well as global human development. There are international institutions like the World Bank, the International Monetary Fund, and the World Trade Organisation that have increased the effects of globalisation by encouraging and supporting the implementation of market-driven economic policies across the globe. Whether we like it or not, globalisation, liberalisation and privatisation are here to stay at least for a few more decades. As argued earlier they have helped some countries and some classes within different countries but have been a curse to most, especially those who are already marginalised and have no or limited access to market or/and do not have the purchasing power. Therefore left to themselves markets can be volatile and may not work for the good of all.

Globalisation, as understood by economists and business, is primarily about trade and therefore profit making is closely associated with globalisation and



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economic growth. Thus there is a tension between openness and universality versus neo-colonialism and imperialism. Openness and universality are welcome but neo-colonialism and imperialism of the developed countries and the MNCs need to be constantly resisted and arrested.

All-powerful external development agencies such as WB, ADB, IMF have their own strong organisational cultures that have an impact on their deliberations and interactions. Unequal power relationships between these organisations and their clients can result in policies that reflect the funders' domination of the interactions, policies that reflect careless application of current ideological fads rather than negotiations under equal terms of engagement. Large profit-making ventures (Indian and foreign MNCs and financial institutions (WB, ADB, IMF) have a tendency to 'homogenise' cultures with a strong dose of consumerism and elitism. There is a need for respecting the trade practices of subaltern cultures which are not exploitative. The rights and identity of the individual and communities have a legitimate place in society and culture. Often profit-making ventures not only belittle local cultures but exclude locals. They often become Project-Affected People (PAPs) and are not given the position of stakeholders though their land, the natural resources they protected and nurtured are taken away from them.

The profit making ventures should not be given a free hand if they are coming in just to increase consumerism, resource exploitation without replenishing them. If the profit-making ventures are not contributing to sustainable development of the area and the state they are parasites and better kept at a distance. Let me cite Dr. B. L. Mungekar, an agricultural economist and member of the Planning Commission ... "I do not discredit market economics – these are indispensable but we have to realise that there is not just an economic side to markets. There is a social side too. As an economic institution, it decides what to produce, how much, how to price it.... But then the role of the market in a stratified economy, where a large number of people do not have the means of production, no credit, no higher education, no gainful employment... In such an economy, the use of the market should be extremely careful and diligent. That is what I mean when I say that economic decision cannot be pre-emptive positions" (Frontline, September 8, 2006:10).

Institutions are necessary for social and economic activities and functioning. However, what is good for one period is not necessarily good for another (Helpman, 2005. Institutions have to be transformed (to be more equality and equity oriented along with profit motives) in order to promote growth, especially labour market institutions, the institutions that govern international trade investment (such as WB, IMF, WTO). It is important, therefore, that the government and the State<sup>2</sup> must ensure that organisations and institutions in the

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<sup>2</sup> The State is, in many ways, a broader concept, which includes the government, but also the legislature that votes on public rules, the political system that regulates elections, the role that is given to opposition parties,



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market adhere to the goal of human development, besides those of profitability and efficiency (Dabhi, 2005).

It must be said that the developing countries must assume responsibility for their well being themselves. They can manage their budgets so that they live within their means, meagre though that might be, and eliminate the protectionist barriers which, while they may generate large profits for a few, force consumers to pay higher prices (Stiglitz, 2003:251).

What a country like India requires are policies for sustainable, equitable, and democratic growth. A more effective mechanism needs to be worked out so that economic growth is a result of a participatory planning where labour, producers, investors, government, consumers, civil society and locals have information and a say for informed decisions to be taken. People need to ensure that development does not just help a few people to get rich or create a handful of pointless protected industries that only benefit the country's elite. Development is about transforming societies, improving the lives of the poor, enabling everyone to have a chance at success and access to health care and education (Stiglitz, 2003:251). The idea of diminishing returns to increased wealth provides a framework for understanding a simple idea: an extra dollar in the hands of a landless agricultural labourer in South Asia or an urban slum dweller in Latin America generates greater welfare than an equivalent amount in the hands of a millionaire. In fact, a policy that increases the income of the poor by \$1 can be worthwhile, even if it costs the rest of society more than \$1 (HDR, 2005).

Restaurants, fast food joints on the one hand, and on the other, as Sen says in *The Hindu* (January 9<sup>th</sup> 2006) "First, India has a higher level of under-nourishment than almost any other part of the world with the possible exception of our neighbours in South Asia. Its not often recognised that the regular level of under-nourishment in India is higher than that of sub-Saharan Africa, where about 20-40 per cent of children are chronically undernourished in terms of criteria like weight for age and other anthropometric criteria. In India, the figure is 40-60 per cent, a very high proportion indeed. Our level of anaemia is much higher; our level of maternal under-nourishment is much higher. Providing meals in schools is one good means of dealing with this vast problem of chronic under-nourishment".

In one of the World Food Summits the Cuban President Fidel Castro said, "Hunger is the offspring of injustice and the unequal distribution of wealth in this world". The concept of inequality is not identical to the concept of poverty. Therefore, reduction in poverty does not automatically mean equality and equity. It is rightly argued "... equity means fairness or justice, in the manner in which the economy's output is distributed between individuals" (Kumar, 2003:268). Therefore wealth creation is important but those who labour and suffer in the

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and the basic political rights that are upheld by the judiciary (Drèze and Sen, 1998:17).

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process of this wealth creation should have an adequate share in the distribution of the outcome, the surplus, the profit.

### Conclusion

As argued, market is necessary but one should not be under illusion that unrestricted markets can enhance trade and thus contribute to development. For Profit Organisations have a social responsibility along with their profit-making motive and profit-making principle cannot override human rights and public good. Skewed economic growth can marginalise and exclude people further from development.

The For Profit Organisations have and do contribute to development but they need to examine their outputs (products and services) and the impact they make not only on their consumer/service users but society at large. FPOs will have to hold themselves more responsible that they contribute to a wider public good without negating their profit motive and without violating the rights of the people especially of the marginalised groups and communities.

The civil society will have to be more proactive to ensure that the FPOs do not violate the law of the land and human rights in fulfilling their purpose. The Civil society will have to ensure that the government and the State do not shirk their responsibility of holding the FPOs accountable to public and to the State in favour of public good, wellbeing of all, especially the marginalised.

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