CHAPTER-I
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CHAPTER -1

INTRODUCTION

There is an impressive history associated with the evolution of the concept and definition of corporate social responsibility (CSR). The evolution of the CSR started in the 1950s, which marks the modern era of CSR. Definitions expanded during the 1960s and proliferated during the 1970s. In the 1980s, there were fewer new definitions, more empirical research, and alternative themes began to mature. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR continues to serve as a core construct but yields to or is transformed into alternative thematic frameworks.¹

In recent years, scholars and managers have devoted greater attention to the strategic implications of corporate social responsibility (CSR). CSR is seen as a situation where the firm goes beyond compliance and engages in 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law'. However, this is just one interpretation of CSR. Numerous definitions of CSR have been proposed and often no clear definition is given, making theoretical development and measurement difficult. CSR

activities have been posited to include incorporating social characteristics or features into products and manufacturing processes. For example, products using environmentally friendly technologies, adopting progressive human resource management practices like promoting employee empowerment, achieving higher levels of environmental performance through recycling and pollution abatement.²

There is growing interest among managers in the antecedents and consequences of CSR, especially for executives at multi-national, multi-divisional companies. These corporate leaders are mindful of the fact that business norms and standards, regulatory frameworks, and stakeholder demand for CSR can vary substantially across nations, regions, and lines of business. They are also aware that their divisional managers are under constant pressure from employees, suppliers, community groups, NGOs, and government to increase their involvement in CSR.

THE CONCEPT OF CSR

The concept of social responsibility is defined as the obligation of business community for the well being of the people, the state and the environment in which they operate. The business community is required to safeguard the health and well being of the society. The business organizations are required to produce to the maximum extent possible. The business people should have concerns to the public. They

² Journal of Management Studies 43:1 January 2006 Published by Blackwell Publishing, 9600 Garsington Road, Oxford, OX4 2DQ, UK and 350 Main Street, Malden, MA 02148, USA.
should give priority to the goals set by the government for the betterment of the people. They are required to solve many social and ecological problems such as urban congestion, environmental pollution, industrial discharges to river waters, depletion of natural resources, etc. It is also the responsibility of the business people to cooperate with the government in the eradication of poverty, unemployment, regional backwardness, etc. They have certain responsibilities with regard to consumers, investors, employees and the government. The producers by producing products of high quality and fixing reasonable prices, can discharge their moral obligations to the consumers. The products produced must have utilization value and their consideration is not solely on profit but on profit with services.  

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; still others argue that it is an attempt to preempt

3 Corporate Social Responsibility: Theory and Practice with Case Studies, David Crowther (ed.) Renu Jatana (ed.)
the role of governments as a watchdog over powerful multinational corporations.\textsuperscript{4}

The wind of transformation of the global economy has manifested new changes in the corporate initiative. Earlier firms viewed corporate social activity as just writing checks based on management discretion, to projecting themselves as good. But there has been a shift towards identifying the domain area and initiatives that can be integrated with the business philosophy for making long-term commitments with the objects of not only doing well, but also doing well.\textsuperscript{5}

The obligation towards the investor involves in providing reasonable dividends to shareholders and to see that the industry grows with stability. They are required to safeguard the assets and properties of the business. They are also expected to look after the employees very well. It means, the payment for the services should be equal to the marginal productivity of the workers. The management should motivate to workers to discharge their duties sincerely and honestly. They should seek the cooperation of the employees in running the industries. Their responsibility to government is immense. They are required to follow rules and regulations of the government. They have

\textsuperscript{4} wikipedia

\textsuperscript{5} sumanta dutta, Faculty, ICFAI,KOLKATA
to pay due taxes on time. They have to cooperate with the government in various developmental activities. These are various ways in which business community can discharge their responsibilities towards society.\textsuperscript{6}

**RELEVANCE OF CSR**

Running a business has become less private, more open, less managerial more political, less a right more a privilege dependent on the will of stakeholders. It has also become more external: People outside the management who are affected by management's decisions increasingly have a voice in, if not a veto over, these decisions and have access to the technology that enables them to have that voice heard globally. Historically, companies have tried to deal with their external environment by adding specific staff functions to respond to particular 'threats' as they emerged. A more proactive approach is needed to adapt to the new reality of business in a global world.\textsuperscript{7}

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business

\textsuperscript{6} Corporate Social Responsibility: Theory and Practice with Case Studies David Crowther (ed.) Renu Jatana (ed.) conference on "Corporate Social Responsibility in Business" in collaboration with London Metropolitan University, London hosted by Mohanlal Sukhadia University, Udaipur, Rajasthan.

to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organisation, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or programme.8

CSR AND THE NATURE OF BUSINESS

Corporations exist to provide products and/or services that produce profits for their shareholders.9

Milton Friedman and others take this a step further, arguing that a corporation's purpose is to maximize returns to its shareholders, and that since (in their view), only people can have social responsibilities,

8 Wikipedia
corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is incongruent with capitalism and are in favor of neoliberalism argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.10 Critics of this argument perceive neoliberalism as opposed to the well-being of society and a hindrance to human freedom. They claim that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labor protections, and thus their citizens are at a higher risk of exploitation by multinational corporations.

A wide variety of individuals and organizations operate in between these poles. For example, the REALeadership Alliance asserts that the business of leadership (be it corporate or otherwise) is to change the world for the better. Many religious and cultural traditions hold that the economy exists to serve human beings, so all economic entities

have an obligation to society (e.g., cf. Economic Justice for All). Moreover, as discussed above, many CSR proponents point out that CSR can significantly improve long-term corporate profitability because it reduces risks and inefficiencies while offering a host of potential benefits such as enhanced brand reputation and employee engagement.

**Table No. 1.1**

**STAKEHOLDER VIEW**

<table>
<thead>
<tr>
<th>CSR Component</th>
<th>Owners</th>
<th>Consumers</th>
<th>Employees</th>
<th>Community</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>3</td>
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<td>Legal</td>
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<td>Ethical</td>
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<td>3</td>
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<tr>
<td>Philanthropic</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>5</td>
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</table>

The results of a survey of business professionals verified a relationship between perceptions of corporate citizenship and organizational commitment. More important, the results demonstrated that the
relationship between corporate citizenship and organizational commitment was stronger among employees who believe highly in the importance of the social responsibility of businesses. The results also indicated that the ethical measure of corporate citizenship was a stronger predictor of organization commitment than the economic, legal, and discretionary measures. The results revealed that the discretionary measure was more strongly associated with organizational commitment among female employees.¹¹

Corporate social responsibility is also a much-misunderstood concept. It contradicts the corporate objectives of profit motive. But it is difficult to overlook the prime objective of the business for the purpose of 'do good activity'. Today consumer not only ready to accept the role of a corporate house only to satisfy their demand to produce the goods according to their requirement. According to Kotler and Lee-it is" a commitment to improve community well being through discretionary business practices and contributions of corporate resources."¹²

New theoretical ways of thinking about companies are coming to the fore and, these new ways of thinking are finding their way into some aspects of company law and regulation. The emergence of new ideas as 'journey from academic journal to economic policy to law' is

¹¹ The Relationship between Perceptions of Corporate Citizenship and organizational Commitment Dane K. Peterson Business & Society, Vol. 43, No. 3, September 2004
¹² Sumanta Dutta, Faculty,ICFAI, Kolkata
employed in support of the main argument. In particular, the idea of the firm as a ‘nexus of contracts’ is being replaced by the idea of the firm as a ‘behavioral entity’. While management and economics theorists have gone ‘inside the black box’ in order to ask different questions and produce better theories, the law has arrived there via a much more pragmatic route. However, recent developments in two areas of company law and regulation, corporate criminal responsibility in the UK and Australia and corporate governance in the UK, can be seen in terms of a move away from a focus on the individual decision maker and towards the concept of corporate culture.13

A study of financial correlates of corporate philanthropy in Fortune 1000 companies using structural equation modeling suggest that cash flow has a significant impact on a firm’s cash donations to charitable causes, but monetary donations do not affect firm financial performance. These findings support the accepted view of corporate philanthropy as a discretionary social responsibility and the traditional thinking about firm giving in the business and society literature—that doing well enables doing good. Contrary to some contemporary

13 Inside The Black Box: Corporate Laws and Theories Alice Belcher Social & Legal Studies Vol. 12, No.3, 2003
thinking, the findings imply no significant effect on profits from corporate generosity.\textsuperscript{14}

At the same time, they having failed in its attempt to compel companies to behave responsibly, corporate social responsibility has been superseded by a more consensual approach that seeks to encourage companies to behave as good corporate citizens. To view these two concepts as alternatives, however, fails to recognize the value to be gained in using them in combination. The role envisaged for corporate citizenship is an account of the United Nations Global Compact and concerns the establishment, through consensual means, of the norms necessary for an effective regime of corporate social responsibility. To this extent therefore, corporate citizenship should be viewed, not as a replacement for corporate social responsibility, but as a complement to it.\textsuperscript{15}

The world business council on Sustainable Development has defined corporate social responsibility as the "commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to

\textsuperscript{14} Bruce Seifert, Sara A. Morris and Barbara R. Bartkus Business & Society, Vol. 43 No. 2, June 2004
improve their quality of life." It is the backbone of today's business sustainability.

Kotler cites several benefits of corporate social initiatives on the part of corporate. It includes-

1) Increase in sales
2) Increase in market share
3) Strengthened brand positioning
4) Improve corporate image
5) Increased appeal for customers, employees and investors
6) Reduced operating cost

As "initiative" is necessary to fulfill the unfulfilled business operation and long term profitability as well as sustainability by meeting the ethical, legal, commercial and public expectation that society has from business.\(^{16}\)

**INDIAN SCENARIO**

India has had a strong tradition of philanthropy. Many feel it is now time to move forward and explore new ways of doing business so that all stakeholders are able to participate, differences are valued, policies are inclusive, and the impact on society is more positive. However, it is difficult to agree on a universal definition of Corporate Social Responsibility, and there are no indicators of measurement either to

\(^{16}\) ibid, ICFAI
help evaluate such initiatives. It is encouraging to see that many are beginning to make a shift from a tunnel vision on Corporate Social Responsibility to an integrated model that mainstreams through business vision and processes. To enable this to happen, our future business leadership needs to expand its understanding and practices, and share innovative and best practices. There is a need to capture perceptions of business leaders, current approaches, drivers for becoming socially responsible and barriers they face.¹⁷

Scholars and practitioners alike indicate a movement in corporate philanthropy toward "strategic" giving; for example, giving that improves the firm's strategic position (ultimately the "bottom line") while it benefits the recipient of the philanthropic act. Although the existence of this trend is widely accepted, it is represented in the literature most often by anecdotal evidence.

The findings of a survey of corporate giving managers of U.S. firms that have had an established giving program of at least 5 years, with annual giving totaling at least $200,000 each year. The data show that corporate giving managers believe their firms are becoming increasingly strategic in their philanthropic activities. The findings also indicate that institutional-, firm-, and individual-level influences

¹⁷ Corporate Social Responsibility Survey 2002 – India, UNDP Report
combine to precipitate strategic philanthropy. These findings lend support to the belief that the nature of corporate philanthropy is evolving to fit a more competitive marketplace.\textsuperscript{18}

Many companies recognize the importance of corporate social responsibility, but seek to understand how this can be harmonized with current profitability. This new approach, drawing upon many contemporary examples, demonstrates the importance of balancing short-term profitability with long-term sustainability and shows how this relates to many business issues and aspects including environmental change, ethical trading, corporate governance, risk management, sustainable development and competitive balance.

This new approach to corporate social responsibility, drawing upon many contemporary examples, demonstrates the importance of balancing short term profitability with long term sustainability and shows how this relates to business issues including environmental change, ethical trading, corporate governance, risk management, sustainable development and competitive balance.\textsuperscript{19}

Glaxo (India), for example, laid their stress in CSR as, "We follow the rationale that we are linked closely to the communities in which we operate- locally, nationally or globally. We cannot exist in isolation. All our actions are focused around this feeling of being centered. Our stated mission statement is 'To lend a helping hand to the less fortunate in our society through the support of women, children and the aged in the areas of health and education.' Implementing this philosophy in spirit, we make a positive contribution to the communities in which we operate, and invest in health and education


\textsuperscript{19} Corporate Social Responsibility: Balancing Tomorrow's Sustainability and Today's Profitability by David E. Hawkins
programs and partnerships that aim to bring sustainable improvements to under-served people. We provide money, medicines, time and equipment to non-profit organizations to help improve health and education in under-served communities. We focus on programs that are 'innovative, sustainable and bring real benefits to those most in need'.”

"Corporate Social Responsibility has always been an integral part of the Mahindra Group's vision and the cornerstone of our Core Value of Good Corporate Citizenship” says Keshub Mahindra, Chairman of Mahindra Group. The Mahindra Group defines Corporate Social Responsibility as making socially responsible products, engaging in socially responsible employee relations and making a commitment to the community around it. At the Mahindra Group, Corporate Social Responsibility is not just a duty; it's a way of life.

In 2005, the Group celebrated its 60th anniversary by renewing its commitment to Corporate Social Responsibility. It pledged to dedicate 1% of its profit (after tax), on a continuous basis towards Corporate Social Responsibility. A unique kind of ESOPs - Employee Social Options was launched to enable Mahindra employees to involve themselves in socially responsible activities of their choice. The Group

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20 Mahindra Booklet
also announced a special gift: to provide free cochlear implants to 60 profoundly hearing-impaired, under privileged children. In addition to giving impetus to the Nanhi Kali project for the girl child and the Mahindra All India Talent Scholarship for the economically disadvantaged, the Mahindra Group is planning to set up two Mahindra Pride Schools. These schools will offer a variety of courses, with an emphasis on employability, including training for Information Technology, Retail, Automotive Engineering etc. They will provide new skills and capabilities to the weaker sections of society, particularly the scheduled castes and scheduled tribe youth. While these projects are already underway, plans for more social initiatives are on the anvil.21

However, since skeletons tumbling out of corporate closets over the past few years have led to a general erosion of trust in business globally. With this backdrop, lessons from India are particularly relevant as businesses seek endorsement as good corporate citizens through corporate social responsibility (CSR) initiatives. The world over, CSR stems from a commitment to the society in which a business operates. In India, it has been traditionally linked to spirituality, while respect in the corporate world has been treated on a...
par with the bottom line. As the need for CSR finds wider recognition, it is worth examining the Indian foundation for trust.\textsuperscript{22}

In a move to ensure that investors are informed of how companies spend money in the name of charity, the government is planning to ask corporate houses to be more transparent about their social spending under the head corporate social responsibility (CSR). According to government sources, transparency and CSR do have a bearing in the long-term valuation of a company.

To facilitate a socially responsible corporate climate in the country, the ministry of corporate affairs now wants India Inc to show in their financial statements finer details of their money spent towards social activities.

Even as the company law awaits amendment to ensure greater transparency and shareholder responsibility, the ministry’s efforts are in consonance with globally accepted principles on CSR. The government, which is roping in the services of corporate compliance experts to encourage companies to be self-regulating in this regard, feels that its initiative would help small investors gain an insight into the company’s functioning.

\textsuperscript{22} Trust and corporate social responsibility: Lessons from India  \textbf{Authors:} Sagar, Prema; Singla, Ashwani, \textbf{Source:} Journal of Communication Management, Volume 8, Number 3, 2004, pp. 282-290(9)  \textbf{Publisher:} Emerald Group Publishing Limited
Officials say that the new disclosure requirements would be beneficial for the companies as well, who could build on their increased investor confidence to raise more capital from the primary market. This would make the overall business climate in the country transparent and efficient.

The corporate affairs ministry has also set up a working group comprising international firms to identify the best global practices in the field that could be adopted in the country. Globally, companies have relied on their CSR initiatives to gain investors' faith.\textsuperscript{23}

The above ought not to be construed as playing down the role of philanthropy, one of India's greatest social practices. The term 'CSR' is new, but the concept is certainly not. It goes a long way and has its roots in religion along with a tradition set by royalty. It was natural that business houses should follow this—for a variety of reasons like concern for the employees and their dependents by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations monetary or otherwise however were sporadic activities of charity or philanthropy from the personal wealth of the company promoters and did not belong to the shareholders and did not constitute an integral part of business. The idea of social responsibility in a systematic manner

\textsuperscript{23} The Economic Times, 18 Jun 2008, Souvik Sanyal, ET Bureau, NEW DELHI
started with the second Five-Year Plan based on the Mahalanobis model with the then Prime Minister Jawaharlal Nehru’s visit to the Soviet Russia. Nehru was impressed by the Soviet success in planning and the eradication of poverty but the Indian attempt was to blend Soviet planning with parliamentary democracy. One major result of this blend was the high preference to the public sector more as major instruments in the planned growth with equity. They were given the mammoth task of industrializing India, creating employment and improving the standards of living for the people. But with the passage of time, the population grew and so did the social pressures, public sector lost its focus on the aspect of profitability and turned to be institutions only for social obligations, the reason for this situation being the government subsidies. About a quarter of a century ago, people used to refer to the public sector in glowing terms as something that would bring strength to our economy and prosperity to the people. As a result of this, public sector enterprises proliferated. Today, people shun them for reasons more than one. A study of the economic situation of pre and post liberalization India Inc., brings forth the following observations:

a. **Market Realities:** In India, as companies used to the license system adjusted to the realities of market forces, the skeletons tumbling out of various corporate cupboards have raised many
questions on the issue of corporate governance. It is not possible to eliminate corruption but good corporate governance ensuring transparency of decision-making and effective shareholders control can deter it.

b. **Ownership Pattern:** In India, based on market capitalization, 85 percent of the top 35 companies are either family or state owned. Also among the corporations that have a market capitalization of more than Rupees 5000 million, 77 percent of the total 123 corporations are either family or state owned, clearly indicating the concentration of ownership. Since philanthropy involved the personal wealth of the promoter donor, there were some problems that were usually associated with this philanthropy-based model. For instance the corporation did not consider it as a long-term investment and restricted it generally to periodical or a onetime grant. Also since it was considered to be an act of charity, the corporation did not encourage any participation from the beneficiaries either in designing or managing the activities which further contributed to decline in its effectiveness and its success considerably.

c. **Legal System:** The effectiveness of implementation depends largely on the legal system that penalizes the defaulters and enforces

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compliance. Regulation has, over the years, proven only partially successful in dissuading individuals from playing with the rules of accounting.

The difference that we find between the Indian situation and that of a developed nation is that, in India, public policies while taking note of the large business interests tend to ignore the interests of the masses whether it is a case of the farmers retaining the seeds for cultivation or the prices of essential drugs both under the WTO regulations.

With these differences in mind, the definition of CSR in the Indian context would have to be based no doubt on the European models but with suitable modifications required in the Indian context. It should look foremost into activities where the communities are the ultimate beneficiaries, be they philanthropic, commercial initiatives or even a social investment. They should also adopt business practices that go beyond legal compliance like employing the socially disadvantaged people as well. Though Partners in Change (PIC) advocate bringing about a change in public policy and laws that benefit disadvantaged people, it would be impractical to implement the reservation policy in employment in the private sector in the name of equity.²⁵

The scams that have rocked the business world point an accusing finger at corporate governance and these scandals seem to be

²⁵ Market Friendliness and Corporate Social Responsibility: Can they work in tandem? By Dr. M. Kanchan.
completely detached from their philosophy of ‘doing good’ to a wider body of stakeholders. Enron was listed as one of the best firms to work for and was the recipient of many awards for being environmentally conscious and it issued triple bottom line reports as well. But the end result only showed that an organization is only as good as the people who run it. What is important is what goes on inside the company.

The public sector, of which many were located in backward areas were not totally focused on their goals and were considered more as a provider of employment and believed to be so located for electoral conveniences with little or no regard to profitability. The subsidies were the only lifesavers till the economic reforms stripped them of the cocoon and showed up to the entire nation as a failure to bring together its core objective of business profitability with social commitment. But all this changed with the decision to open up the country for transnational corporations to conduct business in India. There has been a palpable change in the way corporations function post-economic reforms. The reduction in government controls and the free markets have been the basic reason for them. With the invitation to foreign firms to enter and operate in India, Indian corporations have had to make a conscious effort to not just stay afloat but to compete globally.
Today CSR means much more than building a temple or donating used computers to a rural school. Though there are people who lay emphasis on ethical, social and environmental aspects, there are an equal number of them who would think traditionally that the business should concentrate on the economic aspects of value creation i.e., profitability with growth. Yes, CSR does need to internalize the costs which in turn raises the total cost of production and in this world of cut-throat competition, pricing makes a difference. This changing environment has brought a corresponding change in the form of restructuring and downsizing, right sizing, diversification and mergers. These economic reforms have brought in freedom to corporations hitherto unknown on matters of production and pricing. This gave rise to a shift in the model to stakeholder participation.26

GLOBAL PERSPECTIVE

There is no doubt that the CSR is good for business and has attracted some corporate managers to rethink CSR. However, given that the last 30 years of research found no definite causal link between CSR and

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26 Market Friendliness and Corporate Social Responsibility: Can they work in tandem? By Dr. M. Kanchan.
profit, it is not apparent what the continued business case research will offer in the future.\textsuperscript{27}

Margolis and Walsh wondered, it is doubtful whether "the financial impact—positive, negative, or neutral—of corporate social performance necessary or sufficient either to support or to invalidate the involvement of firms in the range of activities classified as social performance".\textsuperscript{28}

Business case driven-CSR falsely assumes that what is good for society should also be good for corporations. As Vogel (2005) argued, the assumption is true only under certain conditions where there are coherent institutional supports and big enough market for virtues. For instance, until the enactment of various environmental laws and widespread public support for environmentalism in the 70s, environmentally responsible behavior such as pollution control was simply considered as cost and disadvantage in terms of market competition.\textsuperscript{29}

In an era increasingly concerned with sustainable development, corporate social Responsibility has come to be discussed globally, and further the role of business in Society has come to be reconsidered

\textsuperscript{27} Vogel, 2005
\textsuperscript{28} Margolis and Walsh, 2001: 13
\textsuperscript{29} Ruckelshaus, 1993
since the 1990’s. The background to the increasing demands for CSR is as follows:

1) Exposing negative aspects of globalization,
2) The expansion of and movements in NGO activities, and
3) A growing number of voices demanding the sustainable development of the socio-economic system. This concept of sustainable development includes both current and future needs, benefits for both developed and developing countries, and aspects of both environment and society. At the same time, the following topics have been widely discussed recently: Conventional and new versions of the questions: “Who owns a corporation, and how should it be governed?” We need to reconsider systems of corporate governance in relation to stockholders and other stakeholders.

Corporate scandals/crimes in domestic and global market societies concerning issues on the environment, human rights, safety, bribery and corruption. Supervisory government agencies have been cracking down rigorously on these recently. Rating Agencies downgrade the evaluation of businesses proven to have been deceitful, which leads to sharp declines in the market share value of such companies.30

30 Prof. Dr. Kanji Tanimoto Graduate School of Commerce and Management Hitotsubashi University k.tanimoto@srv.cc.hit-u.ac.jp
THE CORE PHILOSOPHY

It is needless to mention that a corporation is framed or exist for the basic purpose of wealth generation, maximizing the stockholder's return and long run sustainability. Profit or economic gain should be the core objectives of any business to survive. But at the same time for the sake of the self-sustainability and enjoy a longevity and growth, the organization cannot or should not forget its responsibility towards the society or the environment in which it operates.

To provide support in the favor of corporate social responsibility the comment of Canadian Center of Philanthropy as – "a set of management practices that ensure the company minimized the negative impacts of its operations on society while maximizing its positive impact".

ORGANISATIONAL PERFORMANCE & CSR

Corporate social responsibility in the broader sense is taken to mean sustaining economic/business activity by co-mingling social responsibility of the enterprise in their external and internal relations with business prospects. Hence, corporate social responsibility is more than charity. It has some underlying economic implication. It is an innovative way to contribute by the firms to spend in towns and
villages and to buy products from millions of artisans who are at the bottom of the pyramid. The fortune of the bottom of the pyramid calls for corporations to design products/services for the enormous population at the bottom of the pyramid. The primary assumption is that this population segment has some disposable income and firms can still make profits on large volume. Hence it moves the corporation towards a set of socially committed and aligned work culture.31

ARGUMENTS AGAINST CSR

If the arguments for a socially responsible approach were widely accepted, nobody would even use the label "CSR" because everyone would be doing it. Those of us who spend our time marshalling the case for would do well to spend a little time hearing the case against, and considering what should be the response.

Of course, one of the challenges in considering cases "for" and "against" CSR is the wide variety of definitions of CSR that people use. We assume here we are talking about responsibility in how the company carries out its core function.

Their shareholders own businesses - any money they spend on so-called social responsibility is effectively theft from those shareholders

31 The odd couple: social responsibility and profit by Christopher Liechty July 19, 2006 Originally published in the Icograda Design Week in Seattle conference program.
who can, after all, decide for themselves if they want to give to charity'.

This is the voice of the 1980s, still being given powerful voice by advocates such as Elaine Sternberg. Sternberg argues that there is a human rights case against CSR, which is that a stakeholder approach to management deprives shareholders of their property rights. She states that the objectives sought by conventional views of social responsibility are absurd. Not all aspects of CSR are guilty of this, however. Sternberg states that ordinary decency; honesty and fairness should be expected of any corporation.32

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."33

The different perceptions of what this should mean from a number of different societies across the world. Definitions as different as "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government."

32 Mallen Baker (Updated 2nd October, 2007)
Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.34

Some critics believe that CSR programs are undertaken by companies such as British American Tobacco (BAT),35 the petroleum giant BP (well-known for its high-profile advertising campaigns on environmental aspects of its operations), and McDonald's (see below) to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.36

Another concern is when companies claim to promote CSR and be committed to Sustainable Development whilst simultaneously engaging in harmful business practices. For example, since the 1970s, the McDonald's Corporation's association with Ronald McDonald House has

34 Lord Holme and Richard Watts
been viewed as CSR and relationship marketing. More recently, as CSR has become mainstream, the company has beefed up its CSR programs related to its labor, environmental and other practices.

17McDonald's Corporation CSR information

All the same, in McDonald's Restaurants v Morris & Steel, Lord Justices Pill, May and Keane ruled that it was fair comment to say that McDonald's employees worldwide 'do badly in terms of pay and conditions' and true that 'if one eats enough McDonald's food, one's diet may well become high in fat etc., with the very real risk of heart disease.

Similarly Shell has a much-publicised CSR policy and was a pioneer in triple bottom line reporting, however, this did not prevent the 2004 scandal concerning its misreporting of oil reserves—an act which seriously damaged its reputation and led to charges of hypocrisy. Since then, the Shell Foundation has become involved in many projects across the world, including a partnership with Marks and Spencer (UK) in three flower and fruit growing communities across Africa.

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and
enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner.37

**PURPOSE OF THE RESEARCH STUDY:**

1. To highlight the nature of CRS activities undertaken by the organisations listed on the NSE, Nifty index, in the wake of wide range of expectations of the stakeholders.
2. To study the impact of CSR activities on the Organisations stakeholders.
3. To study the impact of CSR activities on the Organisational financial performance.
4. To Identify & explore the Most Critical Emerging issues facing the field of Corporate social responsibility in the next decade.
5. To study & understand the effects of strategic Corporate Social responsibility – it’s Benefits & its costs.
6. To Measure the impact of Corporate social responsibility strategies on the bottom line by incorporating them into business performance analytic;
7. To Study any other newer dimensions like environmental and social/ethical issues.

37 ibid
Some of the **Hypotheses** drawn for the purpose of the research study are as mentioned below.

1. There is no co-relation between the Corporate Social Responsibility expenditures incurred by the organisation on their annual incomes.

2. There is no co-relation between the Annual Profit after Taxes & the Corporate Social Responsibility expenses incurred by the organisation.

3. **Dividends to the shareholders** are not affected by the expenses incurred on the Corporate Social Responsibility activities of the organisation.

4. Expenses incurred on Corporate Social Responsibility activities by the organisation do not lead to the increase in the wealth (EPS-Earnings per share) for the equity shareholders.

5. Expenditures incurred on Corporate Social Responsibility activities do not lead to an increase in the capital employment by the organisation.

6. Total expenditures are not affected by the Corporate Social Responsibility expenditures of the organisation.