CHAPTER – IV
REVIEW OF LITERATURE

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4.1 Introduction

There have been evidences of the concerns of business community for the wellbeing of society for hundreds of years. The debates on the role of business in society have been happening for centuries though formal writing on social responsibility have happened mostly in the 20th century during the past 50 years. The modern concept of CSR in the current form emerged in the 1950’s. Since then there have been numerous authors analyzing the concept of CSR and defining it in varied ways both in the global and Indian context. In this study, 160 research papers have been analyzed from writings of various authors. An attempt has been made to highlight the critical contributions by different authors and give a holistic perspective on CSR studies done in India and abroad.

4.2 CSR Related Studies Globally

Bowen (1953) often regarded as the Father of CSR has provides an initial definition of CSR as “It refers to the obligations of businessmen to pursue those policies, to make those decisions or to follow the line of action which are desirable to terms of the objectives and values of our society. His work proceeded from the belief that the several hundred large businesses were vital centers of power and decision making and that the actions of these firms touched the lives of citizens at many points. Bowen (1953) set forth an initial definition of CSR as the social responsibilities of businessmen. Bowen drew from Fortune magazine’s survey in which the editors suggested that the meaning of CSR is “Business was responsible for all consequences of the actions which goes beyond just profit and loss results”. He felt that though social responsibility is not a universal solution to the problems of society, but it contains an important truth that provides guidance for conducting business. His book also speaks specifically on the doctrine of social responsibility, marking the commencement of a series of discussion on the topic. Because of the fact that, Bowen has been the earliest writers on CSR and his contributions have been critical to the evolution and growth of the concept of CSR, he is often referred to as by many authors as the “Father of Corporate Social Responsibility.”

Keith Davis (1960) suggests that CSR is all about business and businessperson’s decisions followed by actions undertaken for reasons eclipsing partially firm’s direct economic or technical considerations. According to him, expenses on socially
responsible business decisions can be amortized and justified through the gains that the firm accrues in the long term. Though this is a complicated process, the reasoning will help managers justify CSR expenses. He became popular for his opinions on the subject of business power and its relationship with social responsibility. He advocated the idea of “Iron Law of Responsibility,” which means that social power of business men should somehow be proportionate to the quantum of social responsibilities they involve in. He deliberated further that if this happens business men who avoid social responsibility will find that there is gradual erosion of their social power. Keith’s work on defining CSR has been very important in the evolution of the concept of CSR hence he is often considered as second in running for the title ‘Father of CSR after Bowen. His writings have formed the foundations for integrating CSR as a business Strategy.

William C. Frederick (1960) suggests that the idea of social responsibility includes that needs of the larger community should be fulfilled by the businessmen in the process of managing the operations of their core business activities. An extrapolation of this suggestion is that business operations need to be handled is such a way that the process of production and marketing should actually improve the welfare of the society business operates. According to him, Social responsibility means that the resources of the business should be used to meet the vision and objectives of the society at large rather than focusing on the benefits of few private persons and companies. He also brought in the consideration of the broader aspects of society into what CSR should be pertained as a concept but is not considered the most popular definitions of CSR.

Joseph W. McGuire (1960) defined CSR as the “The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations” McGuire’s further offered another definition in 1963 which is considered more specific than the earlier definition which suggested that CSR is a concept which stretches beyond just legal and economic obligations. He went on to explain further that corporations must actively participate and be involved in domains of education, employee satisfaction, politics and community welfare. Further he suggested business should act as proper citizens and are obligated to perform the necessary duties to the society at large. Although the statement hints at the concept of corporate citizenship but it is not very clear in the propositions.
Morrell Heald (1970) argued that social responsibility should be understood as businessmen themselves have defined and experienced it. He suggested that the “meaning of the concept of social responsibility for businessmen must finally be sought in the actual policies with which they were associated”. He went on to elaborate on the history of corporate policies, various community welfare programs and opinions of management. His writing clearly suggested that during that period, business people were involved in a lot of corporate philanthropy and community development. Morrell did not offer any comprehensive definition like other authors.

Harold Johnson’s (1971) offered a number of views on corporate social responsibility and critically evaluated each of them. Johnson suggested “A socially responsible firm as one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation”. It is interesting to note that he was alluding to the concept of stakeholder approach as he refers to “multiplicity of interests” and goes on to specify these interest groups. Johnson elaborates that this approach involves striving towards achieving of socioeconomic goals by integrating the concept of social norms in set business roles. Johnson offered another view of CSR as “Social responsibility states that businesses carry out social programs to add profits to their organization”. In this approach, social responsibility is viewed in the context that it would lead to maximization of profit in the long run. He also offered a third view of social responsibility, which he calls “utility maximization.” In this approach, he suggested that “the prime motivation of the business firm is utility maximization; the enterprise seeks multiple goals rather than only maximum profits”. He explained further on this approach by defining socially responsible entrepreneur or manager as the one who is concerned in his well being as well as the wellbeing of his colleagues and the members of the larger society. Johnson also offered another view called as “lexicographic view of social responsibility.” As per this definition, the goals of the company as well as those of the consumer are considered together and prioritized based on the importance, targets with timelines are set and achievement against each of these targets are evaluated. The levels of these targets depend on a number of factors including the past experiences of the company with the specified goals and performance in similar business enterprises. Employees and companies would like to
achieve what other individuals and companies have achieved in comparable set of circumstances. Johnson argues that “lexicographic utility theory suggests that strongly profit-motivated firms may engage in socially responsible behavior. Once they attain their profit targets, they act as if social responsibility were an important goal. Johnson finally arrived at the conclusion that all the definitions he has offered complement each other with different viewpoints of the same reality though they appear contradictory in certain aspects. Johnson has offered the most comprehensive set of definitions of CSR and has given a broader impactful perspective to the concept of CSR.

George Steiner (1971) sees business as essentially an activity to be fundamentally an economic institution, but which stays committed to the responsibilities of helping the larger society to achieve basic goals and thus carry on performing socially responsible activities. The responsibilities increase as the company becomes larger and it is imperative that all companies of whatever size take up their share of responsibilities which might be at no cost or often might result in profit to the companies in the long run. He explains that for company to become socially responsible, it does not require any great change in the economics of decision making but needs a change in the attitude and approach towards decision making. It can be considered more of a philosophy which integrates and incorporates broader social goals with enlightened vision of business in the long term against narrow selfish goals. While Steiner did not focus on definitions of CSR, he elaborated the context in which CSR can be understood and practiced.

Manne & Wallich (1972) argued that for any corporate action to be considered as CSR, activity should consist of at least three components. First, the corporate activity should be a voluntary initiative and not coerced by regulatory agencies or for adhering to societal norms. Secondly, the expenditure should be an actual expenditure of the corporate and not just a proxy for contribution of one individual. Thirdly, the particular activity or expense should fetch lesser returns than returns out of alternative expenditure or activity. Manne suggested that “in practice it is often extremely difficult if not impossible to distinguish a purely business expenditure made under the garb of public’s good from one actually made with real charitable intent”. He stressed the point that any business expense or activity need not have a single motive and can have multiple motives hence may not be a right criteria for judging social
responsibility. The element of volunteerism in his definition is part of many other definitions of CSR but many a times it is impossible to differentiate between “purely voluntary” activity and activities which are coerced by regulators or done because of social norms.

Elbert and Robert Parket (1973) argued CSR as “Perhaps the best way to understand social responsibility is to think of it as ‘good neighborliness.’ The concept involves two phases. On one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighborhood problems”. They elaborated that CSR is a display of commitment by business. For those who find neighborliness an awkward or coy concept, they may substitute the idea with social responsibility as commitment of business. In general, the commitment is to play a dynamic role in solving the problems of the society like discrimination on the basis of race, environmental pollution, decay of urban areas and transportation issues. They were more interested in gathering facts from the business community about the extent of CSR in practice than trying to define the concept of CSR. The results of the surveys they conducted as part of their research contained detailed facts about the kind of CSR activities done by organizations, effect of these activities on the structure as well as budget of the organizations and the levels of importance given to every CSR activity. Elbert and Robert were the earliest scholars who attempted to link CSR with organizational variables.

Votaw and Sethi (1973) suggested that “the term (social responsibility) is a brilliant one; it is something but not always the same thing, to everybody. To some, it means socially responsible behavior in an ethical sense; to still others the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with 'charitable contributions'; some take it to mean socially conscious or 'aware.' Many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid. A few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen at large. Votaw’s arguments on social responsibility are same as many earlier authors but it is worth repeating”.

Eells & Walton (1974) suggested that “In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. In so far as the business system as it exists today can
only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business’s role in supporting and improving that social order”. Their writings give a bigger perspective on the meaning and evolution of CSR and did not focus on definitions.

**Jules Backman (1975)** presented corporate social responsibility as the organization’s performance in the society taking into context social accounting, social indicators and social audit. He defined corporate social responsibility as “usually refers to the objectives or motives that should be given weight by business in addition to those dealing with economic performance like profits” Backman illustrated few examples of CSR as jobs to disadvantaged groups, pollution control, community improvement programmes, health care improvement, enhanced industrial safety etc.

**Sandra Holmes (1976)** conducted a study in which she sought to gather “executive perceptions of corporate social responsibility.” Holmes did not offer definitions of CSR. Holmes formed a set of statements which had various issues relating to CSR and its practice during her times. She did a survey of executives to understand as to how many of them agreed or disagreed to a set of statements she had framed on CSR. As an example, she collected opinions from executives on various issues of CSR like the short term as well as long term impact of CSR on profits of organizations, basic responsibilities of businesses along with making profit and solving of problems of society at large. Holmes has added and brought in the context of what employees feel about and expect from CSR. She highlighted the element of importance and engagement of employees in understanding CSR processes.

**Carroll (1979)** argued that there are several dimensions of CSR which can be categorized into economic responsibility, ethical accountability, legal responsibility and discretionary responsibility. This concept of CSR being split not dimensions has greatly influenced CSR literature. The argument put forth by Carroll was that any conscientious business needs to believe and accept CSR as a concept and implement the same, taking into account all activities of business. He suggests an organization lays the foundation of CSR the moment it starts believing that economic performance is a must for it to be considered responsible. He further elaborates that it is important for an organization to optimize the earnings of shareholders and also provide benefits to the employees to be considered economically responsible. He argues that organization needs to fulfill its legal responsibility by following the law of the land.
while pursuing its economic performance and display ethical accountability by adopting policies that represent equity and fairness. Example of ethical accountability is the respect the organization holds for its stakeholders like consumers, employees and the society at large. Another example is the concern for the environment. He concludes by suggesting that charitable needs and philanthropic activities should be supported by the organization to fulfill its discretionary responsibilities. Few examples are promotion of human welfare and improving quality of life in the immediate community. Caroll has proposed one of the most comprehensive definition and frequently quoted even in current studies across the world.

**Thomas M. Jones (1980)** defined “Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders, to other societal groups such as customers, employees, suppliers, and neighboring communities”. He then presented in detail the arguments for and against in the debate of CSR. His focus was on to consider CSR as a process in organizations. He suggested that consensus cannot be reached on the constituents of socially responsible behavior and persisted that CSR must be seen as a process and not as an outcome. Jones’s work is considered to be important as he introduced the concept of process orientation in CSR.

**Frank Tuzzolino and Barry Armandi (1981)** proposed a need hierarchy framework modeled after Maslow’s hierarchy to measure and evaluate CSR. They argued that actual practical implementation of CSR is easier when there is an analytical framework around it. They did not focus on defining CSR but recommended that organizations have needs like individuals which can be categorized on the basis of Maslow’s hierarchy. They elaborated that organizations like humans have needs which can be categorized as physiological, safety, affiliative, esteem, and self-actualization as suggested in Maslow’s hierarchy model. The authors offered the hierarchy as a “conceptual tool whereby socially responsible organizational performance could be reasonably assessed”.

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Edwin M. Epstein (1987) explored the meaning of CSR in the context of business ethics, social responsibility and responsiveness. He suggested that the three concepts are related closely and even have concerns and themes overlapping. He defined CSR as “Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility.” He conceived the concept of corporate social process by merging business ethics and corporate social responsiveness. He added, “The nub of the corporate social policy process is the institutionalization within business organizations of the following three elements of business ethics, corporate social responsibility and corporate social responsiveness”

Jean, Alison and Thomas (1988) analyzed the relationships between perceptions of CSR done by companies and their financial performance. They sourced data of CSR of different companies from Fortune magazine’s survey of corporate reputations and related with financial performance measures including return on assets, total assets, sales growth, and asset growth and operating income growth. They found that the past performance of companies to a certain extent predict current levels of CSR by the respective companies than current financial performance. They suggest that companies with higher levels of financial performance are in a better position to afford expenses on CSR.

Moses and Joshua (1996) studied the relationship between CSR and financial performance by critically evaluating around twenty older empirical studies on the same domain and further explored the relationship between CSR and financial performance to overcome the limitations of the earlier studies. In addition, they identified 53 companies which were recognized as socially responsible by Council on Economic Priorities and studied their long term financial performance in comparison to a control sample which was selected by matching the size and industry with the earlier set of companies identified. They found that there was no proof to indicate that companies which were identified based on social responsibility performed worse than the other set of companies. In fact they suggest that there is positive relationship between CSR and traditional financial performance. They also found that there was little evidence to suggest that the control set of companies performed better in the
subsequent years as well, while socially responsible companies were found to have performed better in the later period as well. They concluded by suggesting that CSR and financial performance have a very complex relationship and reemphasized that companies which have been considered to be socially responsible seem to have performed financially better than others or at least generated equal financial returns.

**Murray and Vogel (1997)** studied the implication of various CSR initiatives and practices on employees and consumers. They suggested CSR activities can be consumer protection programs educating customers on consumer rights, community volunteering by employees, children safety awareness campaigns, environmental conservation activities and senior citizen health programmes. They elaborated further that these activities lead to organization being viewed with a more favorable attitude by all stakeholders. The various stakeholders tend to be more inclined to trust the organization as being honest, customers respond better to the advertisement as being more credible, regulators become lenient in case of environmental and labour disputes apart from attracting future employees as a sought after workplace. They add that employees are more likely to conform to CSR when they are educated and informed about the various CSR efforts of the organization. They recommend that it is important to effectively implement CSR activities as a strategy to garner additional support of stakeholders to the organization. They further suggested that by being more socially responsible, organizations can insulate themselves from customer boycotts, become attractive employers and face lower levels of business risks.

**Holmes and Watts (2000)** of the World Business Council for Sustainable Development defined CSR as “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”. They elaborated that it is important for organizations to take into account the welfare of all stakeholders like customer, debtors, creditors, future generations and not just maximizing shareholder value while setting up the objectives of the organizations. Rather than maximizing shareholder value, corporations should incorporate bigger social goals as a part of their strategic planning.

**Maignan (2001)** surveyed customers spread across different countries and cultures to analyze the customer attitude and willingness to prefer companies which are socially responsible against others which are not. He examined the evaluations of customers
toward the company based on philanthropic, legal and economic responsibility displayed. He found that customers from Germany and France are more ready to actively support responsible businesses than customers of USA. While the French and German customers were anxious about the firms adhering to ethical and legal standards, the US customer preferred the firms to fulfill economic responsibilities.

Sen and Bhattacharya (2001) studied the growing impact of CSR on buying attitudes. They found that the buying behavior depends on a number of factors including the quality of products, the themes and social issues the company works on, the belief of consumers on CSR and the consumer’s preference of social issues on which they expect companies to work. They elaborated on the fact that there is a mediating role played by consumer’s perception of similarities between their own and company’s character when they react to CSR initiatives. They also found that reputations are enhanced positively by CSR and there was positive outcome when CSR initiatives were implemented in certain set of circumstances. They argued that consumers recognized and supported CSR of companies when the CSR activity appeared to be well integrated into the overall positioning and marketing philosophy of the company. They added that consumers have a soft corner and support to smaller, locally owned private companies than big national or multinational organizations. Consumers can identify with and have more positive association to the smaller local companies. In any CSR strategy planning, all these factors needs to be meticulously considered.

Charles Handy (2002) stated that “The purpose of a business is not to make a profit. It is to make a profit so that the business can do something more or better. That ‘something’ becomes the real justification for the business. It is a moral issue. To mistake the means for the end is to be turned in on oneself, which Saint Augustine called one of the greatest sins.” It is salutary to ask about any organizations, “If it did not exist, would we invent it?” “Only if it could do something better or more useful than anyone else” would have to be the answer, and the profit would be the means to that larger end.” He argued that the purpose of business is mainly maximization of profit and fulfilling shareholder expectations much beyond satisfying the needs of other stakeholders in the organization.

Quazi and O’ Brien (2002) showed that managerial perceptions of CSR are influenced by their educational qualifications, status and religion. They presented a
model of two dimensions consisting of two axes with the horizontal axis representing views on CSR from the contracted view that business is responsible for profit maximization and supply of quality goods as well as services to the broader view in which business is responsible for larger no of issues and expectation of all the stakeholders. The vertical axis consists of perceptions of the impact of CSR of business, ranging from just concern to a focus on benefits of CSR. Four quadrants are formed the two axis intersect representing four views which are named as classical view, modern view, socioeconomic view and philanthropic view. The classical view represents narrow concept of CSR with a focus on costs, the socioeconomic view portrays narrow concept of CSR with potential benefits; the modern view depicts a wider concept CSR with overall benefits and the philanthropic view depicts a wider concept of CSR with awareness to costs.

Marc T. Jones (2005) analyzed on the institutional role of business and its obligations to the broader stakeholder community by considering the necessary nature of the business firm as an economic, political and social institution. He evaluated the potential for social responsibility and stakeholder management in big multinational firms and the crucial differences between domestic and international outsourcing as well as special restructuring. They conclude that business should take more active interest in non business affairs. Besides they suggested the alternative to an expanded role for business is for a reinvigoration of institutional pluralism in order to protect and further the interests of all stakeholders – to address the limits of business’ ability to generate socially positive outcomes by circumscribing business through countervailing power. This would mean that a public sphere dominated by civil institutions would require stimulation and nurturing. Workers and unions would need encouragement and material support to retool for an internationalized knowledge economy.

Brammer et al (2005) investigated the impact of individual religiosity on approach to CSR. He suggested that individuals who are highly religious have a tendency to view responsibility of business in a much broader perspective than others. But they also hinted that this may not be true for all groups of religions and vary on the bass of nature of CSR activity. In another article, they studied the association between employee perceptions of CSR and organizational commitment correlating with social identity theory. They explored the influence of different aspects of socially
responsible behaviors like employee training, procedural justice and employees’ perceptions of company’s CSR on the organizational commitment. They checked on how relationship between organizational commitment and each of these aspects varies because of gender identity. They found that gender influences the relationship between organizational commitment and different aspects of socially responsible behavior. They concluded that organizational commitment is related positively to external CSR. They also found that impact of CSR on organizational commitment is almost equal to impact of job satisfaction on CSR.

Sobezak (2006) undertook a study involving various academic institutions to understand their implication on CSR. He suggested that higher Education Institutions and B-Schools can play a significant role in educating students and making them aware about the positive aspects and long term sustainable benefits of CSR. These institutions also influence the perceptions that students and young managers have of organizations as well their responsibilities towards society.

Kakabadse and Rozuel (2006) stressed that external influences and the involvement of top management in stakeholder dialogue are two crucial factors that affect CSR of companies. They argued that CSR and stakeholder are two ideas which are interrelated closely both in theory and practice especially when analyzing the relationship between business and society. They suggested that employees and top management have a crucial role in increasing company’s involvement in social and environmental issues and hence they should utilize their influence to drastically increase responsibility of business to society. They added that for organizations to move towards higher levels of social responsibility, employees as well as management should first assume and reflect on their own role, attitude, behavior, value systems, expectations within the organization and society.

Xiaoli and Kwangjun (2007) conducted a controlled experiment to test whether an advertisement with a CSR related message integrated in it generates a favorable response from the customer than the advertisement which does not have any CSR message in it. They found that consumers exposed to an advertisement with a CSR message held significantly more favorable attitudes toward the company compared with those exposed to a regular advertisement without a CSR component. They further elaborated that the relationship was regardless of the level of fit between the sponsoring brand and the social cause but when the social cause fitment with the
brand was high consumers tend to be much more favorable to the company. They clarified that the positive effect of brand-cause fit existed only when consumers had high brand consciousness and when the consumers had low brand consciousness there was no impact of cause-brand fitness level. They concluded that the positive impact of CSR occurs primarily on consumers attitudes to the company rather than toward the advertisement or brand.

Sean and Gary (2007) proposed that socially responsible companies are perceived to be ethical organizations and hence encourage similar responses of employees in the work place. They conducted exploratory survey collecting information from 313 professionals to test the relationships between perceived CSR, ethics training and work attitudes of employees. They found that that perceived CSR plays a mediating role in the relationship between ethics programs and job satisfaction. They elaborated that the mediated relationship of perceived CSR was more present in analysis of different programmatic variables like presence of ethics codes, communication of ethics code, presence of ethics training and hours of ethics training. They also found that there was a relationship between perceived CSR and organizational efforts to enhance ethics thereby suggesting that ethics training and codes should be continuously used to enhance organizational approaches that emphasize CSR. They added that ethics training, ethics code and CSR are positively related to employees’ job satisfaction.

Matten and Moon (2008) studied the various reasons for the changes observed in CSR practices of different countries and provided a framework for understanding the same. They elaborated on the differences found in the CSR practices in European countries compared to US. The argument that they put forward was that differences in CSR across countries are caused by varied nature of business systems of countries which can be termed as “national business systems” which are influenced by historical institutional framework. They investigated differences in CSR on the basis of four features of national institutional frameworks which include the financial system of the country, the political system, the labor and educational system and finally the cultural system.

Duygu Turker (2008) analyzed the impact of CSR on employee commitment to organizations considering social identity theory as a basis. They conducted a survey on 269 professionals in Turkey and tested the influence of CSR on various social and
non social stakeholders, employees, customers, government and environment. They concluded that employees most likely prefer to work in organizations which are considered socially responsible and their commitment to organizations are positively related to by CSR to society, natural environment, next generations, non-governmental organizations, employees, and customers. Further they suggested that the self worth of employees is influenced by the reputation of the organizations.

**Belaid, Anis and Kamel (2008)** studied the impact of corporate social responsibility (CSR) on organizational performance with a focus on emerging economies by considering Dubai as a case. They conducted a survey which involved 280 organizations to examine the linkage between CSR activities and organizational performance. They found that CSR has a positive relationship with all three measures of organizational performance which include financial performance, employee commitment and corporate reputation. They proved wrong the dominant assumption that the relationship between CSR and organizational performance may not be positive in the case of emerging economies because of weak institutional frameworks due to which CSR activities drain resources at the cost of firm’s competitiveness. They recommend that firms should engage in CSR activities to reap benefits such as better financial performance, higher employee commitment, better reputation and hence not neglect CSR activities.

**Sergio, Nicola and Antonio (2008)** studied the impact of Corporate Social performance of organizations on the profitability. They tested the impact of CSR on trust among the stakeholders by conducting a survey of 400 consumers of organic products to determine whether CSP influences consumer trust and that trust in turn influences consumers’ subsequent actions. They found that consumers’ perception about the retailer’s CSR performance influenced the buying patterns and confirmed that trust is a significant mediator of consumer response. They suggested that intermediate variables between CSP and Corporate Financial Performance (CFP) may best support a business case for CSR. They added that socially oriented organizations can achieve competitive advantage in those business areas where trust is crucial in determining consumer choices.

**Catherine and Gwen (2008)** investigated the differences between real and perceived corporate social performance of organizations. They argue that while many organizations actually spend huge amount of resources on CSR and even markets are
willing to reward good and responsible firms, but they lack the instruments to measure CSP. They add that markets many a time end up rewarding those organizations who have invested heavily in building reputation of good CSP rather than an actual CSP. They suggest that reputations of CSP are often misleading and there is a huge difference between perceived and actual CSP. They elaborate further that overrated organizations are usually big, profitable organizations operating in non polluting but competitive industries with no history of wrong doings to primary stakeholders and spend lot of resources on satisfying secondary stakeholders. In conclusion, they highlighted the importance of developing measurement instruments that are reliable, comparable and tamper proof. Their widespread use can improve the ability of the business community to assess the true CSP of firms, thereby reducing the gap between corporate social reputations and actual CSP. Improved and more accurate CSP reputations will reduce the likelihood of market failure and enhance the efficiency of resource allocations in the market place.

**Angel and Antonio (2008)** investigated the differences which exist between the formal and informal CSR strategies through which firms manage relations with and the claims of their stakeholders. They suggest that formal CSR strategies seem to characterize large firms while informal CSR strategies prevail among micro, small, and medium-sized enterprises. They surveyed a sample of 3,626 Italian firms and investigated them based on a multistakeholder framework. Their analysis provides evidence that small businesses’ use of CSR, involving strategies with an important impact on the bottom line, reflects an attempt to secure their license to operate in the communities; while large firms rarely make attempts to integrate their CSR strategies into explicit management systems. In other words, small businesses need such relations with the community to survive, whereas in general large firms do not.

**Meral and Lutfihak (2008)** conducted a survey to study the effects of nine different ethical climates which were self interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules and procedures, and lastly laws and professional codes on employee job satisfaction. They tested on a sample of staff and managers from 62 different telecommunication firms in Turkey and obtained data through 1174 usable questionnaires. They found evidence to suggest the existence of nine different ethical climates as observed in western cultures. They found that self interest ethical climate types were negatively related to
employee job satisfaction while team interest, social responsibility, law and professional codes climate types were positively related to employee job satisfaction. They concluded that considering the high importance of employee job satisfaction for individual and organizational performance, ethical climate can be used as a powerful tool for generating superior organizational performance.

Souto (2009) suggested that earlier research presents evidence of relationship of CSR with Performance. CSR varies in terms of its underlying meaning and the issues to which it is addressed but also with regard to its impact on business success. Further, it is clear that a precise manifestation and direction of social responsibility lies at the discretion of each individual company. He argued that, in turn the perceptions of social responsibility by companies seem to remain country specific and dependent on national institutional frameworks. Souto presents results of earlier research that show the association between CSR and financial performance, shareholder value, investor perspective, and further economic gain which are indicated in the following table.

Table 4.1: CSR and Economic-financial performance

<table>
<thead>
<tr>
<th>Author</th>
<th>Conclusion</th>
<th>Kind of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ingram and Frazier 1983</td>
<td>Environmental performance has a negative effect on financial statements.</td>
<td>Negative</td>
</tr>
<tr>
<td>Freeman 1984</td>
<td>CSR minimizes transaction costs and potential conflicts with stakeholders.</td>
<td>Positive</td>
</tr>
<tr>
<td>Soloman and Hansen 1985</td>
<td>CSR costs are clearly covered with benefits in employee morale and productivity.</td>
<td>Positive</td>
</tr>
<tr>
<td>Freedman and Jaggi 1982</td>
<td>CSR and shareholder value do not coincide.</td>
<td>Negative</td>
</tr>
<tr>
<td>Pava and Krausz 1996</td>
<td>CSR and financial performance are positively linked to each other.</td>
<td>Positive</td>
</tr>
<tr>
<td>Preston and O’Bannon 1997</td>
<td>CSR and magnitude of financial evolution coincide.</td>
<td>Positive</td>
</tr>
<tr>
<td>Waddock and Graves 1997</td>
<td>Social and economic performance has opposite consequences on financial statements.</td>
<td>Negative</td>
</tr>
<tr>
<td>Author and Year</td>
<td>Description</td>
<td>Conclusion</td>
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<tr>
<td>-----------------</td>
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<tr>
<td>Stanwick and Stanwick 1998</td>
<td>Stakeholders' recognition is important for a positive evolution of financial magnitude.</td>
<td>Positive</td>
</tr>
<tr>
<td>Verschoor 1998</td>
<td>There is a positive relationship between corporate performance and stakeholder relationships.</td>
<td>Positive</td>
</tr>
<tr>
<td>Jensen 2002</td>
<td>Social constrains and responsible social behavior can work against value maximization.</td>
<td>Negative</td>
</tr>
<tr>
<td>Ruf et al., 2002</td>
<td>CSR and sales increase are observed in several companies, with temporal continuity.</td>
<td>Positive</td>
</tr>
<tr>
<td>Bauer et al., 2002</td>
<td>The comparison of ethical and traditional investment reveals mixed results with a slightly positive trend towards ethical funds.</td>
<td>Not conclusive</td>
</tr>
<tr>
<td>Orlitzky et al., 2003</td>
<td>A meta-analysis confirms a positive relation between social responsibility and financial performance.</td>
<td>Positive</td>
</tr>
<tr>
<td>Barnea and Rubin 2005</td>
<td>CSR investment is negatively related to insiders' ownership.</td>
<td>Negative</td>
</tr>
<tr>
<td>Bauer et al., 2007</td>
<td>Investors appreciate ethical investments funds.</td>
<td>Positive</td>
</tr>
<tr>
<td>Bechetti et al., 2007</td>
<td>Market penalizes the exit from social responsibility index and ethical funds.</td>
<td>Positive</td>
</tr>
<tr>
<td>Mittal et al., 2008</td>
<td>There is strong evidence against the idea that CSR initiatives have universal or systematic positive financial impact.</td>
<td>Not conclusive</td>
</tr>
</tbody>
</table>

*Source: Adopted from Souto 2009*

**Darren, Robert and Kim (2009)** explored the relationship between social performance of corporate and their financial performance as per both market based parameters and accounting parameters. They found that there was no association between corporate social performance and financial performance of corporate based on accounting parameters and negative association between corporate social performance and corporate financial performance based on market measures. They suggested that negative association between corporate social performance and
corporate financial performance based on market based parameters does not mean that social performance does not have any value but rather they indicate that companies which are good in social performance get traded in the market at a premium price relative to companies who are not active in CSR thus suggesting that financial markets value corporate social performance and are ready to realize lower returns. They further suggest that companies can obtain equity capital at a lesser cost when they are able to manage their CSP profiles better.

**Peter Demacarty (2009)** analyzed various propositions on the relationship between CSR and financial performance of organizations and interpreted them using evolutionary game theory and nature. He found that average financial returns from organizations with corporate social responsibility and irresponsibility are equal. He explained that corporate social responsibility and social irresponsibility are driven to a state of equilibrium, because if one or the other were to offer higher profits, it would attract more players who would compete for the best opportunities until there was no difference in average profit. He suggests that better financial performance of organizations may not be because of CSR but due to higher management skills. He suggests that skillful managers either responsible or irresponsible manage to obtain higher levels of profits and credit in imperfect measures of CSR. He further elaborates that this theory of equal returns implies greater moral freedom and therefore responsibility for business leaders. He concluded that this perspective can motivate and trigger higher levels of interest among decent business leaders to champion the cause of CSR aggressively.

**Khosro and Gaye (2009)** examined the role of different tools of marketing communications which can be utilized to effectively communicate, publicize and highlight CSR activities of organizations to different stakeholders. They found that marketing communications tools can play a very crucial role in conveying the company’s CSR message. They suggest that source reliability as well credibility are essential for any communication to be successful. They further added that the perceived image of the company, its reputation and the nature of industry plays a critical role in the process of transmission of message. They recommend that the companies should always practice what it preaches to build credibility among the stakeholders that their intentions of CSR are genuine. They conclude that an integrated, coordinated and holistic approach is necessary to ensure effective
communication of CSR activities of the company.

**Min Dong Paul Lee (2009)** studied the influence of ownership patterns of companies on their social performance. He examined data on pollution management practices of 118 companies over a 13 year period and found that publicly held corporations are subject to higher levels of external pressures to reduce pollution and participate in social development leading to better environmental and social performance. They contested the traditional belief that public traded corporations are more susceptible to corruption and socially irresponsible behavior than privately owned corporations because of the intense short-term profit maximization pressure from shareholders and the lack of sufficient monitoring mechanisms. They concluded that public corporations are more likely to become socially responsible because of their greater exposure to external influence and greater dependence on external actors with diverse interests.

**Jean et al (2010)** analyzes influence of CSR on employees by integrating social exchange theory with social identity theory in a unique framework which explains how behavior and attitude of employees at work are influenced by employees’ perceptions of CSR which in turn influences the organizational, social and environmental performance. They suggest that the model they have proposed merges micro and macro researches on socially responsible behavior and also articulates social identification; social exchange processes and as well explains how corporate performance is impacted by CSR influencing employee’s behavior. They found that CSR influences social exchange dynamics and social identification processes within the company and those perceptions of CSR trigger the acceptance of behavior and workplace attitude which finally builds up corporate performance. They proposed that their framework indicates a path for understanding how companies, in doing well by doing good can motivate their employees to accept and practice workplace behavior which are both socially responsible as well as efficient.

**Ker Tah Hsu (2011)** investigated the effects of persuasive and informative advertising of CSR activities on the reputation and brand equity of corporates by conducting a survey of 600 customers of major life insurance companies in Taiwan. He identified effects of persuasive advertising of CSR initiatives by confirming the
mediating role of specific internal outcome which include customer satisfaction, on the link between CSR initiatives and dependent variables, such as corporate reputation and brand equity. He found that policy holder’s perceptions regarding the CSR activities of life insurance companies have a positive effect on customer satisfaction, corporate reputation and brand equity. He also found there is no mediating effect of customer satisfaction on the relationship between CSR and corporate reputation but customer satisfaction partially mediates the relationship between CSR initiatives and brand equity. He elaborated further that there is effect of informative advertising of CSR initiatives of life insurance companies on corporate reputation but the persuasive advertising of CSR activities has no effect on corporate reputation.

Nagib, Marie and Geoff (2012) studied the relationship between corporate social responsibility disclosure (CSRD) and organizational performance in terms of financial performance, employee commitment and corporate reputation in developing countries considering the case of Libyan companies. They analyzed 110 annual reports of 40 firms to understand the levels of corporate social responsibility disclosure in annual reports. They found that the levels of corporate social responsibility disclosure have a positive relationship with organizational performance in terms of financial performance and corporate reputation but there is no significant relationship between level of CSRD and employee commitment.

4.3 CSR Related Studies in India

The CSR literature (cf. Jamali & Mirshak, 2007) often assume that companies in the developing world are slow in implementing their CSR agenda compared to companies in the developed countries ignoring the fact that there are lot of country specific factors which influence abilities of companies to implement CSR. However, studying these specific factors which influence CSR implementation bring about very interesting revelations. In addition, Ramasamy and Ting (2004) suggest that eastern and western cultural environment as well as judgments differ considerably. Such differences in perceptions have an impact during the conception of the company’s different roles in society and in judging its fulfillment in its context. A differentiated application of existing Western CSR models wrongly assumes that the same CSR activities will lead to comparable results thereby ignoring and loosing the opportunities lying hidden in customized local solutions. The interactions between India’s ancient customs with the current rapidly changing practices of the world
The economy makes it a fertile ground for understanding the concept of CSR in a different cultural context. There has always been a strong tradition of Corporate Philanthropy in India (Mohan, 2001). In the last few years, CSR research in India has been focusing on ways to implement CSR. (e.g. Ruud, 2002; Kumar, Murphy, Balsari, 2001). Various cultural, political, and developmental aspects influence the Indian CSR agenda, it is important to know them to arrive at the correct approach to understanding CSR in India. Some of the important researches on CSR in India are summarized as follows:

**Singh et al. (1980)** reflected that Indian corporations are criticized for their attitude of indifference about the problems of the common man and the actions taken by the corporations have improper and unsuitable towards solving the problems of the society. They went on to conduct a survey of 251 corporate managers with different work experience levels to examine empirically the perceptions of actions of corporations. The study revealed managers view CSR activities as more biased towards profit maximization. They also suggested that CSR activities influence the attitude of customers towards the organization and its products.

**Krishna (1992)** did a perceptual study of executives in the middle and top management working for various industries in India soliciting their opinion on corporate social responsibility. They arrived at the conclusion that on the whole managers do favor CSR. One of the important finding of their study was that the organizations preferred to have a permanent committee of executives focusing on CSR to effectively implement CSR.

**Shrivastava (1995)** discussed more about the oriental concept of social responsibility. He considered oriental concept to be spiritual in nature and according to the concept all instruments of economic production and the world as well, was created by one supreme power. He elaborates that with this enlightened knowledge, management would perform all activities with a sense of obligatory service to society. He suggests that this attitude towards social responsibility would lead to great levels of self fulfillment to managers and motivate them to continue their efforts.

**Mohan (2001)** pointed that CSR is perceived to be part of corporate philanthropy in developing countries and government community developmental initiatives are supported by many corporations. In the developed countries like USA, CSR is used as
a strategic tool to justify the organization’s existence in the society but in developing countries like India, corporations especially the traditional firms have inbuilt CSR in their business existence.

Bhal (2002) conveyed that some of the factors influencing CSR were policies of government, culture and structure of the organization, stakeholder pressure and ideologies of the decision makers in the organization.

Jose et al. (2003) related Gandhian principle of Trusteeship to the concept of CSR. He was of the opinion that business in India has always been interlinked with charity and religious beliefs as most people have grown up in an environment that believes in the concept that ‘giving’ is good. He quoted that according to Kautilya’s Arthashasthra “In the welfare of people lies the king’s welfare and in their happiness his happiness”. To elaborate further, Kautilya describes on four important duties of the king as Raksha, Vridhi, Palana and Yogakshema. Raksha means protection which can be considered equivalent to risk management in modern business, Vridhi means growth refers to value enhancement of stakeholder, Palana means Compliance referring to adhering to law of the land meticulously and Yogakshema means well being referring to corporate social responsibility. These four concepts define the interrelationship between society, business and government.

Baxi and Prasad (2005) developed a set of eighteen case studies of companies involved in CSR in India. They suggested that there is lot of media coverage on CSR activities implemented by companies which get reported as part of annual reports. They added that industry associations like CII, NASSCOM, Chamber of commerce, FICCI etc have encouraged CSR activism. All these factors tend to instill positivity to the equation between what companies do and how they are viewed by society at large. They report that few companies have taken up the cause of CSR voluntarily and have made a phenomenal impact on the community and cities they operate. As an example, they refer to Excel industries which is a leader in manufacturing agrochemicals as having institutionalized CSR by setting up four different NGOs and have some products especially designed to cater to the social and environmental needs. They suggest that Excel industries is able to build shareholder value and social value simultaneously. Another example is of Titan industries which has integrated CSR into its employee management philosophy by offering better employment terms to local women and handicapped individuals than compared to the market. They have also
highlighted Gujarat Ambuja as a company which though being a market leader has successfully managed to reduce green house gas emission and dust pollution by incorporating new technologies and practices targeting sustainable development.

**Puranik and Mehta (2005)** traced the history of CSR in India and pointed that there were many important steps that firms and regulators have taken in the post-Independence period which include voluntary activities by few firms and setting up of legal framework by the government. They added that Companies like Tata Steel earned lot of support in the society by their CSR actions and there was appeal for more companies to involve in community affairs. They also reported that the government set the tone by appealing to the companies to contribute atleast one percent of their PAT (Profit after Tax) to CSR.

**Reddy (2006)** conducted a study on CSR involving 60 corporate managers across India by using personal interviews and questionnaire as tools. He reported that as per the study the major drivers of CSR are the urge to maintain better relationships with employees, displaying of commitment to society and portraying as a good corporate citizen. He found that the most popular CSR activities were in the areas of conservation of environment, development of hygienic as well as secure workplaces and local community projects as well as charity. He suggested that the process of choice of CSR initiatives were majorly influenced by consumers, senior management team members and shareholders. He argued further that most members of management felt that CSR is one of important factor necessary to achieve sustained profitability.

**Jonung and Malhotra (2007)** conducted a study among students of higher learning in India to understand how business leaders of the future would view CSR. They found out that tomorrow’s business leaders have a positive approach towards CSR. They also found that many students who were the toppers expressed their interest to work for companies who are known for their of CSR activities. They further suggested that companies need to also integrate CSR in their branding and marketing exercise by incorporating CSR strategies as a part of company’s long term marketing and branding strategies. They predict that this integration would help the companies to reap higher levels of benefits from all the CSR activities they execute.
Geeta Mishra (2013) argued that higher educational institutions like universities and business schools should be the frontrunners in incorporating the practices of CSR in all the aspects of their functioning as lessons learnt at these centers usually last for a lifetime. She proposed that these institutions should increase awareness of CSR among the students by including it as core subject in the curriculum, instill moral values and educate them especially on the benefits of CSR and how it has a positive impact on the society. She further suggested that higher educational institutions should continuously train the teaching staff on various issues of society and environment, practice CSR in hiring by integrating diversity as a recruitment philosophy, promote and help employees to have a balanced personal and professional life and have a compensation and reward policy which considers CSR as an integral part. She recommended specific initiatives like green initiatives, pictorial representation around the campus, workshops and debates on CSR.

4.4 Conclusion

Most of the studies on CSR have been undertaken in countries like United States, European countries, Australia, Malaysia, Singapore and so on. There are few studies conducted in India. Most studies have concentrated only on different aspects and execution of CSR strategies. Since the concept of CSR has been evolving continuously, many studies have been done on the approaches taken by various organizations and government. Major number of studies has been done in the industries which are hazardous in the community they operate. The studies on impact of CSR on performance of Organizations are very limited. The few studies which analyzed the relationship between CSR and Organization performance have concentrated on financial parameters of performance and not so much on the Non-financial performance parameters. The limited number of studies exploring relationship between CSR and Organizational performance have been done in developed countries of United States and Europe.