Preview

This chapter presents an introduction on the research topic ‘Corporate Social Responsibility and Environmental Sustainability in Indian Companies’. The chapter defines meaning of CSR and ES as applicable worldwide. The elucidation also focuses on the characteristics, areas, drivers and benefits of the concept of corporate social responsibility. A brief overview of CSR in global context has been given and also international codes and standards explained in order to understand the structure of CSR globally.

1.1 Corporate Social Responsibility And Environmental Sustainability : A Conceptual Background

The subject matter of Corporate Social Responsibility (CSR) and Environmental Sustainability (ES) has nurtured during last few decades from plain philanthropic activities to integrating the interest of the business with that of the communities in which it operates, with the notion that business enterprises have some responsibilities. The conception is based on the opinion that we all have a personal responsibility to each other and the world around us. The same applies for businesses, be it large and small, public or private. Their actions have an effect on a large number of shareholders, employees, suppliers and society in common. Companies are beginning to realize the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes (Reynard and Forstater, 2002).

The business sector from long are criticized for their destructive nature and consequently harming natural environment. The effects are in terms of wasting natural resources
and contributing to environmental problems such as pollution and global warming. Hence, there is both governmental and societal pressure on corporations to adhere to stricter environmental standards and to voluntarily change production processes in order to do less harm to the environment. It has become of paramount importance for corporate to promote environmental sustainability and conservation.

1.1.1 Meaning and Definition of Corporate Social Responsibility:

Corporate social responsibility is a type of corporate self-regulation, integrated into a business model. The phrase “Corporate Social Responsibility” (CSR) describes a social movement and collection of specific management practices and initiatives (Wikipedia). It is a universal concept by which organizations take up responsibility of their activities impacting the wellbeing of society customers, employees, shareholders, communities and the environment in all aspects of their operations. The concept of Corporate Social Responsibility (CSR) is guided by the fact that corporations can no longer act as secluded economic entities operating unconcerned from broader society. The conventional views about competitiveness, survival and profitability no longer exist. Thus, Corporate Social Responsibility is about two aspects: reducing the negative effect and increasing the positive contributions.

CSR continues to be an evolving concept with no single definition universally accepted. CSR definitions have proliferated in the literature particularly since the 1980s. Nevertheless, common ground between CSR concepts and definitions is widely acknowledged and evident from the representative definitions given below:

(a) Canadian Government “understood CSR to be a way by which a company balances or integrates the economic, environmental and social imperatives, along with addressing expectations of shareholder and stakeholder” (CDCAC Report, 2002).

(b) The European Commission (2006) has given a simpler definition of CSR as “the responsibility of enterprises for their impacts on society and outlines what an enterprise
should do to meet that responsibility”. CSR is that the business has a responsibility towards its stakeholders and society at large that extends beyond its legal and enforceable obligations.

(c) According to World Business Council for Sustainable Development (2002), CSR is the business’s commitment for behaving ethically and contributing for economic development, improving the quality of life of the employees and their families, local community and society at large.”

(d) The Kennedy School of Government (Harvard University) “The term (CSR) is often used interchangeably with others, including corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple-bottom line, corporate ethics, and in some cases corporate governance. Though these terms are different, they all point in the same direction throughout the industrialized world and in many developing countries, there has been a sharp escalation in the social roles corporations are expected to play” (J.G. Ruggie, 2007).

(e) Philip Kotler and Nancy Lee (2005) define CSR as “a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources”.

(f) Archie Carroll in 1991 describes CSR as a multi layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities. Carroll presents these different responsibilities as consecutive layers within a pyramid, such that true social responsibility requires the meeting of all four levels consecutively. The model probably is the most accepted and established. Figure 1.1 explains Carroll’s Pyramid of four types of responsibilities. The first two are - economic responsibility (to be profitable) and the legal responsibility (to obey the laws set forth by
Third one, closely linked to the second is the ethical responsibility, that is to do what is right even when business is not compelled to do so by law. The fourth is the philanthropic responsibility, also called the discretionary responsibility. It is best described by the resources contributed by corporations toward social, educational, recreational and/or cultural purposes. (Corporate Social Responsibility – Towards a Sustainable Futurea White Paper: KPMG in India)

Figure 1.1
ARCHIE CARROLL’S CSR PYRAMID

1.1.2 Conceptual Development of Corporate Social Responsibility:
The concept of corporate social responsibility has been decade old and has covered a long expedition. The core belief that the business has responsibilities towards the society beyond the profit maximisation objectives has extended historical roots. Patrick Murphy (University of Michigan Business Review, 1978) introduced four CSR eras that embraced the period before and after the 1950’s. The period up to 1950s was the ‘philanthropic’ era in which companies donated to charities more than anything else. The period 1953–67 was classified as the ‘awareness’ era, in which there became more recognition of the overall responsibility of business and its involvement in community affairs. The period 1968–73 was termed the ‘issue’ era in which companies began focusing on specific issues such as urban decay, racial discrimination and pollution problems. Finally, in the ‘responsiveness’ era 1974–78, and continuing beyond, companies began taking serious management and organizational actions to address CSR issues (Archie Caroll, 1991).

The concept evolved in 1950’s was interpreted and conceptualized differently by different authors. The development is taking place till date, as many academicians and intellectuals are giving new dimensions to it. Table 1.1 summarizes the major development of CSR concepts:

Table 1.1

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>NAME OF CONCEPT</th>
<th>DESCRIPTION</th>
<th>LITERATURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950s</td>
<td>Social Responsibility of Businessmen</td>
<td>The duties of businessmen to make policies, decisions and follow actions in accordance with the objectives and values of society.</td>
<td>Bowen (1953)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behavior.</td>
<td>Davis (1960)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private contribution to society’s economic and human resources and a willingness on the part of business to see</td>
<td>Frederick (1960)</td>
</tr>
<tr>
<td>Period</td>
<td>Description</td>
<td></td>
<td></td>
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<tr>
<td>----------------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960s–1970s.</td>
<td><strong>Stakeholder Approach</strong> Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980s-1990s</td>
<td><strong>Three Dimensional Model</strong> The concept consists of corporate responsibilities (i.e., economic, legal, ethical and philanthropic), social issues of business (e.g., labour standards, human rights, environment protection and anticorruption) and corporate actions (e.g., reactive, defensive, accommodative and proactive).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980s-1990s</td>
<td><strong>Three-Dimensional Model of Principles, Policies and Processes</strong> Integration of the principles of corporate responsibility, the policies of social issue management and the process of action into an evolving system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980s-1990s</td>
<td><strong>Institutional Framework and Extended Corporate Actions</strong> Four types of corporate responsibilities (i.e., economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e., legal, organizational and individual), while corporate actions are extended to assessment, stockholder management and implementation management.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000s</td>
<td><strong>Three Domains Approach</strong> Three domains of corporate responsibilities: economic, legal and ethical.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000s</td>
<td><strong>New Concept</strong> A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close corporation with the stakeholders.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (http://www.unescap.org/tid/publication/indpub2658-chap2.pdf)

The table above describes the voyage of corporate social responsibility from 1950’s till present day scenario and the concepts evolved during these periods, along with the descriptions of literature as given by their authors.

### 1.1.3 Meaning and Definition of Environmental Sustainability:

...
In the realm of corporate social responsibility comes *environmental sustainability*. It is currently a significant subject, as public is realizing the hit that businesses and individuals can give to the environment. Environmental sustainability involves making decisions and taking actions in the interests of protecting the natural world, to support or sustain human life. Before going deep into environmental sustainability concept, it is important to understand meaning of sustainability. In *ecology*, the word describes how biological systems remain diverse and productive over time. Long-lived and healthy wetlands and forests are examples of sustainable biological systems. For humans, sustainability is the potential for long-term maintenance of well-being, which has environmental, economic, and social dimensions (http://en.wikipedia.org/wiki/Sustainability).

Businesses can potentially cause damage to all areas of the environment. Some of the common environmental concerns include damaging rainforests and woodlands through logging and agricultural clearing, polluting and over-fishing of oceans, rivers and lakes, polluting the atmosphere through the burning of fossil fuels and damaging prime agricultural and cultivated land through the use of unsustainable farming. As the Businesses are considered the main contributors, they are expected to sustain environment, and they are also in a position to support in this area. Thus businesses are expected to sustain (maintain) human life-the capabilities that the natural environment has to maintain the living conditions for people and other species (e.g. clean water and air, a suitable climate), the aspects of the environment that produce renewable resources such as water, timber, fish, solar energy, the functioning of society, despite non-renewable resource depletion, and the quality of life for all people, the livability and beauty of the environment. (Philip Sutton, 2004)

The term Environmental Sustainability was probably first coined by scientists at the World Bank. Originally, the term “*environmentally responsible development* was used (World Bank, 1992). Subsequently, *environmentally sustainable development* was employed (Serageldin and Streeter, 1993). Finally, the concept of *environmental sustainability* was
The understanding of environmental sustainability by various authors and researchers has been described below:

(a) **Goodland (1995)**: Environmental sustainability “seeks to improve human welfare by protecting the sources of raw materials used for human needs and ensuring that the sinks for human wastes are not exceeded in order to prevent harm to humans”.

(b) **Holdren (1995)** define environmental sustainability by focusing on its bio-geophysical aspects. *Biophysical sustainability means maintaining or improving the integrity of the life supporting systems of the Earth.*

(c) **Sutton (2004)** “The ability to maintain the qualities that are valued in the physical environment”.

Hence, it is evident from the definitions that now the time has come that businesses are to look beyond making profits- the short term gain – at the at the long term impact they are having on the environment.

### 1.1.4 Criteria of Environmental Sustainability:

An important contribution to the concept of environmental sustainability was made by the Organization of Economic Co-operation and Development (OECD). The OECD (2001) has given four major criteria’s that support in environmental sustainability:

- **Regeneration**: renewable resources shall be used efficiently and their use shall not be permitted to exceed their long-term rates of natural regeneration.

- **Sustainability**: non-renewable resources shall be used efficiently and their use limited to levels which can be offset by substitution with renewable resources or other forms of capital.
Assimilation: releases of hazardous or polluting substances into the environment shall not exceed their assimilative capacity (OECD, 2001).

1.2 CORPORATE SOCIAL RESPONSIBILITY: PERSPECTIVES OF DIFFERENT ORGANIZATIONS

The array of definitions and perspectives on CSR has been advanced globally till now. The credit can be given to the fact that CSR is practiced in a broad range of different organizational contexts. The organizational structure worldwide can be divided into various sections depending upon their nature. Accordingly each organization has developed its own understanding and nature of CSR depending upon their areas of operation. For example in UK, the government has an opinion that socially responsible behavior or citizenship need to be taught to school children in their curriculum. Therefore, this will manifest automatically in behavior of corporations in the future. Accordingly Renault being a business organization believes economic performance can no longer be focus of the large corporations. They have to pay attention to their environment. “It is our responsibility to involve in the societal lives of the countries where we do business” (Renault Ltd.). On the other hand, NGO’s like Smile Foundation has a vision that “sustainability, social equality and the environment are now business problems, and corporate leaders can’t depend on governments to solve them” (Smile Foundation). The table 1.2 explores these contexts and explains understanding of CSR approach as stated by different organizations:

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Name of Organization</th>
<th>CSR Perspectives</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Government</td>
<td></td>
<td>“The voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive</td>
<td><a href="http://www.csr.gov.uk">www.csr.gov.uk</a></td>
</tr>
<tr>
<td><strong>Governmental Organization</strong></td>
<td><strong>European Commission</strong></td>
<td>‘A concept whereby companies voluntarily involve in social and environmental concerns in their business operations’</td>
<td>EC Green Paper 2001 ‘Promoting a European Framework for Corporate Social Responsibility’</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td><strong>Chinese Ministry of Commerce</strong></td>
<td>‘A concrete action taken by Chinese companies to implement the political aspiration of the new Communist Party collective leadership - putting people first to create a harmonious society’</td>
<td>Ethical Corporation, 2005. ‘Politics: A Chinese Definition of CSR’, 15 Sep 05: <a href="http://www.ethicalcorp.com">www.ethicalcorp.com</a></td>
</tr>
<tr>
<td><strong>Confederation of British Industry</strong></td>
<td>‘The acknowledgement by companies that they should be accountable not only for their financial performance, but for the impact of their activities on society and/or the environment’</td>
<td><a href="http://www.cbi.org.uk/">www.cbi.org.uk/</a></td>
<td></td>
</tr>
<tr>
<td><strong>World Business Council for Sustainable Development</strong></td>
<td>‘CSR is the business’s commitment for behaving ethically and contributing for economic development, improving the quality of life of the employees and their families, local community and society at large.’</td>
<td>WBCSD, 1999: ‘CSR: Meeting Changing Expectations’</td>
<td></td>
</tr>
<tr>
<td><strong>Gap Inc Corporation</strong></td>
<td>‘Being socially responsible means striving to incorporate our values and ethics into everything we do – from how we run our business, to how we treat our employees, to how we impact the communities where we live and work’</td>
<td><a href="http://www.gapinc.com">www.gapinc.com</a></td>
<td></td>
</tr>
<tr>
<td><strong>HSBC</strong></td>
<td>‘Means managing our business responsibly and sensitively for long-term success. Our goal is not, and never has been, profit at any cost because we know that tomorrow’s success depends on the trust we build today’</td>
<td><a href="http://www.hsbc.com">www.hsbc.com</a></td>
<td></td>
</tr>
<tr>
<td><strong>Christian Aid/ NGO</strong></td>
<td>‘An entirely voluntary, corporate-led initiative to promote self-regulation as a substitute for regulation at either national or international level.’</td>
<td>‘Behind the mask: the real face of corporate social responsibility’, 2004.</td>
<td></td>
</tr>
<tr>
<td><strong>Societal Organization</strong></td>
<td><strong>CSR Asia</strong></td>
<td>‘A company’s commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse</td>
<td><a href="http://www.csr-asia.com">www.csr-asia.com</a></td>
</tr>
</tbody>
</table>
1.3 CORPORATE SOCIAL RESPONSIBILITY: THE GLOBAL CONTEXT

The meaning of CSR differs quite significantly from country to country. To put CSR in a global context, it is necessary to comprehend the specific regional and national contexts in which companies practice CSR. In the following section, through table 1.3, some basic characteristics of CSR in different regions of the globe are discussed:

Table 1.3

CHARACTERISTICS OF CSR IN DIFFERENT REGIONS OF THE GLOBE

<table>
<thead>
<tr>
<th>Type of Countries</th>
<th>Structure</th>
<th>Issues</th>
<th>CSR Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR in Developed Countries</td>
<td>Unregulated markets for labour and capital, low levels of welfare state provision, and a high appreciation of individual freedom and responsibility.</td>
<td>Education, healthcare, community investment</td>
<td>Philanthropy, corporate community contributions by US companies, governmental policies and collective action</td>
</tr>
<tr>
<td>CSR in Developing Countries</td>
<td>Low standards for working conditions and environmental protection, high corruption, oppressive regimes with low regard for human rights, poor provision of healthcare and education, as well as low levels of per capita income and foreign direct investment.</td>
<td>Infrastructure, health, education, and transport</td>
<td>Good governance, encouragement of small scale entrepreneurship through microcredit, and the economic empowerment of women and other marginalized minorities</td>
</tr>
<tr>
<td>CSR in Emerging/Transitional Economies</td>
<td>The former Communist bloc has changed from a planned and government run economy to a capitalist Market system. This has led to weak and corrupt governmental institutions.</td>
<td>Education, healthcare, housing, corporate governance, safety issues and environmental degradation (and its impact on health)</td>
<td>Labour and environment related laws and regulations, governmental policies</td>
</tr>
</tbody>
</table>

Source: (Compiled by researcher from source Crane, A., Matten, D. and Spence, L. 2008)
The term ‘corporate social responsibility’ is diverse with many meanings, applications and implications and these are surely adapted as per convenience in different parts of globe. The way in which CSR is understood, practiced, and institutionalized in the global context is ever-changing and open to considerably diverse interpretations.

1.4 CHARACTERISTICS OF CORPORATE SOCIAL RESPONSIBILITY:

According to modern researchers, there are six core characteristics of CSR. There is hardly any definition of CSR that includes all of these characteristics. However, they are the essential features of the CSR concept that are being reproduced in all the CSR definitions (Crane, Matten & Spence 2008). These characteristics represent the essential features of CSR. These are described as follows:

(a) **Voluntary**: The responsibilities carried out by many companies are beyond the legal framework. CSR initiatives from industry are often seen through compliance with societal moral norms.

(b) **Internalizing or Managing Externalities**: Externalities refer to the positive and negative side effects of a company’s economic activities. These effects are borne by other people such as the local community where the company operates, and is not taken into account by the company in its decision making processes, nor included into the market price for goods and services. However, government regulations can legally require the company to internalize the cost of the externalities.

(c) **Multiple Stakeholder Orientation**: In the concept of CSR, companies do not only have responsibilities to shareholders but also to various stakeholders such as employees, suppliers, and consumers. In order to survive and prosper, corporations have to rely on various other constituencies such as consumers, employers, suppliers and local communities.
(d) **Alignment of Social and Economic Responsibilities:** CSR is not in conflict with the companies’ objective to seek profits. The concept adheres to the fact that economic and social responsibilities are aligned and companies can continue to generate profit while being socially responsible.

(e) **Practices and Values:** CSR is a set of business practices and strategies dealing with social issues, but for many people, it is a philosophy or set of values that underpins these practices.

(f) **Beyond Philanthropy:** The current discussions on CSR has tended to ardently claim that CSR is about more than just philanthropy and community projects, but about how the entire operations of the firm i.e. its core business functions like production, marketing, procurement, human resource management, logistics, finance etc, impact upon society.

Thus, these were the six core characteristics that capture the main thrust of Corporate Social Responsibility. There is also an emerging consensus on some common principles that underline CSR such as: *CSR is a link to sustainable development; CSR is a business imperative and CSR is a way to manage business*(KPMG, 2008). Therefore, the characteristics and principles of CSR endorse a vision of business accountability and embrace the responsibility for the company’s actions and support a positive impact through its activities on the environment, consumers, employees, communities and stakeholders. In the similar manner Environmental Sustainability has its own characteristics and principles which corporations follow in order to sustain themselves.

**1.5 CORPORATE SOCIAL RESPONSIBILITY AREAS:**

The indulgent and consciousness of CSR has taken assorted forms and the same is reflected through concrete manifestation of a company’s CSR activities and commitments. The companies practice CSR initiatives in various and every company has its own individual unique
approach. Based on different theories and ground applications of CSR, the *areas in which companies work can be classified and summarized as: work place, market place, communities and environment.* The details of activities are as follows:

(a) **Workplace Oriented CSR Activities:** Employees are the significant part of any organisation. Hence companies have responsibility towards them which they fulfill by practicing employee oriented activities. These are: the improvement of working conditions, health and safety at work and job satisfaction, work/life balance, training and staff development programmes, social events for staff and employee counseling, coaching and mentoring.

(b) **Society Oriented CSR Activities:** The major responsibility of companies as discussed previously rests towards society. The major harm is done to society by the actions of companies thus the repairing work is required to be done by them. CSR activities targeted at the society/community are: improvement of the infrastructure, health/sanitation, livelihood support, women economic empowerment, child care development, HIV/AIDS, education and charitable events.

(c) **Environment Oriented CSR Activities:** CSR activities in the field of protection of the environment focus on designing environmentally friendly products or production processes, reduce \( \text{CO}_2 \) emissions; reuse and recycling of resources and products, efficient use of resources, reduction of waste and pollution, reduce negative effect on air, water and soil, protection of the natural environment and environmentally conscious factories and offices.

(d) **Marketplace Oriented CSR Activities:** Market-oriented CSR activities target on the one hand at the customers, and on the other hand, at business partners and/or suppliers. Respective initiatives include: product/service quality, availability, continuous product/process innovation; customer satisfaction feedback, service camps/value added
services, regular formal & informal interactions with suppliers, vendors’ surveys & feedbacks, suppliers learning schemes and guidance on financial matters to suppliers.

Thus, the CSR activities described above are the issues addressed by companies worldwide. It is not exhaustive and includes many more activities. A framework of CSR has been depicted in figure 1.1.

1.6 CORPORATE SOCIAL RESPONSIBILITY DRIVERS:

Corporate Social Responsibility is a voluntary progression for many of the organisations worldwide. The history shows that for-profit sector directly and indirectly has been practicing CSR through mere philanthropy and even through facilitating resources for the society. But for the majority of business sector it is a medium to garner positive image for their organisations. The fact is that there are drivers behind practicing and promoting CSR among corporates which can be outlined as follows:

(a) Deficiency of Effectual Government Resources: Governments of World have relied on legislation and regulation to deliver social and environmental objectives in the business sector. In the present times, voluntary and non-regulatory initiatives are also discovered.

(b) Demands for Greater Disclosure: There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

(c) Globalisation: There is an increased consciousness on CSR regarding HRM practices, protection of environment, health and safety, among other things. Reporting on the CSR activities by corporate has therefore, increasingly become mandatory because of cross-border trade and development of multinational enterprises. In an increasingly fast-paced global economy, CSR initiatives enable corporate to engage in more meaningful and regular stakeholder dialogue.
(d) **Augmentation in Interest of Customers:** Ethical behavior of companies has a positive influence on the purchasing decisions of customers. Customers have developed interests in buying those products which directly and indirectly contribute for betterment of the society.

Figure 1.2

**CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK**

**CHARACTERISTICS**
- Voluntary
- Multiple Stakeholder Orientation
- Alignment of Social and Economic Responsibilities
- Practices and Values
- Beyond Philanthropy

**AREAS OF INITIATIVES**
- Workplace
- Society/Community
- Environment
- Marketplace
- Customer
- Suppliers

**DRIVERS**
- Deficiency of Government Resources
- Disclosure
- Globalisation
- Interest of customers
- Investor Pressure
- Competitive Labour Markets
- Supplier Relations
(e) **Rise in Investor Pressure:** Investors are changing the way. They assess companies’ performance, and are making decisions based on criteria that include ethical concerns.

(f) **Competitive Labour Markets:** Employees are seeking out employers whose philosophies and practices are in accordance with their own principles. Skilled employees can only be retained by improved working conditions.

(g) **Supplier Relations:** Stakeholders are becoming progressively more interested in business dealings. Hence companies are taking steps to make certain that their partners conduct themselves in a socially responsible manner.

1.7 **CORPORATE SOCIAL RESPONSIBILITY BENEFITS:**

The potential benefits of CSR are not only reaped by organizations but even by community, general public and environment. The table 1.4 highlights the positive impact arise by the adoption of a policy of social responsibility:

<table>
<thead>
<tr>
<th>Areas of Benefit</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits to Community/Society</strong></td>
<td>• Community gets a substantial amount for development through philanthropy and charitable contributions.</td>
</tr>
<tr>
<td></td>
<td>• Fulfillment of infrastructure needs, improved health/sanitation in locality, livelihood support</td>
</tr>
<tr>
<td></td>
<td>• Women empowerment and child care development</td>
</tr>
<tr>
<td></td>
<td>• Overall betterment of the society.</td>
</tr>
<tr>
<td><strong>Benefits to Environment</strong></td>
<td>• recyclability of material</td>
</tr>
<tr>
<td></td>
<td>• Better product durability and functionality of product are better</td>
</tr>
<tr>
<td></td>
<td>• Increased use of renewable resources</td>
</tr>
<tr>
<td></td>
<td>• Preservation of environment and check on pollution.</td>
</tr>
</tbody>
</table>
Benefits to Company

- **Brand Image and Reputation is enhanced**
- **Sales and Customer Loyalty is Augmented**
- **Ability to Attract and Retain Employees is increased**
- **Access to Capital is easier**
- **Innovation, Competitiveness and Market Positioning are improved**
- **Supply Chain Relationships is enhanced**
- **Financial Performance is improved**

**Source:** (Compiled by Researcher)

Now, the global business agenda firmly based on the concept of corporate social responsibility and has become an effective tool to gain the trust of the people and community. Through application of this tool, organizations can generate a favorable environment for themselves.

Thus, the concept of Corporate Social Responsibility can be summarized as the management of business processes to impact the society positively. (Mallen Baker, Founding Director, Business Respect).

### 1.9 INTERNATIONAL CODES AND STANDARDS OF CSR:

There are a range of codes and standards which are being adopted globally. These codes and standards provide a framework for target companies’ to demonstrate socially responsible action. These are voluntary, but provide companies with important pointers for their interaction with society in developing and emerging countries. Here, we are going to discuss few of these codes and standards:

(a) **United Nations Global Compact:** The UN Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles regarding human rights, labour, environment and anti-corruption. By doing so, business as a primary driver of globalization can help ensure that markets, commerce, technology and finance advance
in ways that benefit economies and societies everywhere. The Global Compact is the world's largest corporate citizenship initiative with two objectives: (1) Mainstream the ten principles in business activities around the world and (2) Catalyze actions in support of broader UN goals, such as the Millennium Development Goals (MDGs). The Compact was announced by the then UN Secretary-General Kofi Annan in an address to The World Economic Forum on January 31, 1999, and was officially launched at UN Headquarters in New York on July 26, 2000.

The Ten Principles (www.unglobalcompact.org) stated in the compact are summarized in table 1.5:

**Table 1.5**

**TEN PRINCIPLES OF UNITED GLOBAL COMPACT**

<table>
<thead>
<tr>
<th>Types of Right</th>
<th>Principles</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td><strong>Principle 1</strong></td>
<td>Support and respect the protection of internationally proclaimed human rights</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 2</strong></td>
<td>Make sure that they are not complicit in human rights abuses</td>
</tr>
<tr>
<td>Labour Standards</td>
<td><strong>Principle 3</strong></td>
<td>The freedom of association and the effective recognition of the right to collective bargaining</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 4</strong></td>
<td>The elimination of all forms of forced and compulsory labour</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 5</strong></td>
<td>The effective abolition of child labour</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 6</strong></td>
<td>The elimination of discrimination in employment and occupation</td>
</tr>
<tr>
<td>Environment</td>
<td><strong>Principle 7</strong></td>
<td>Support a precautionary approach to environmental challenges</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 8</strong></td>
<td>Undertake initiatives to promote environmental responsibility; and</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 9</strong></td>
<td>Encourage the development and diffusion of environmentally friendly technologies</td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td><strong>Principle 10</strong></td>
<td>Businesses should work against corruption in all its forms, including extortion and bribery</td>
</tr>
</tbody>
</table>
With over 5000 business participants and 2000 other stakeholders from civil society, academia, labour and other sectors, the Global Compact is today the world’s largest corporate responsibility initiative. All companies seeking to partner with the United Nations are highly encouraged to join the Global Compact and help realize the UN’s vision of a more sustainable and inclusive global economy. The other voluntary instruments adopted worldwide are discussed in table 1.6:

Table 1.6

VOLUNTARY CSR INSTRUMENTS ADOPTED WORLDWIDE

<table>
<thead>
<tr>
<th>INSTRUMENTS (CODES OR STANDARDS)</th>
<th>PARTICULARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>Address the need for standardized approaches to corporate sustainability reporting. In 2006, GRI published Version 3.0 (G3) of its Sustainability Reporting Guidelines emphasizing performance indicators, which contain a separate section titled “Human Rights” with nine performance indicators.</td>
</tr>
<tr>
<td>Organization for Economic Co-operation and Development (OECD)</td>
<td>Contains recommendations on core labor, environmental standards, human rights, competition, taxation, science and technology combating corruption and safe guarding, consumer rights.</td>
</tr>
<tr>
<td>Social Accountability 8000</td>
<td>The SA8000 code of practice is broken down into nine key areas child labor, management systems, working hours, compensation, disciplinary practices, forced labor, health &amp; safety, freedom of association &amp; collective bargaining and discrimination.</td>
</tr>
<tr>
<td>Principles for Responsible Investment (PRI)</td>
<td>A set of global best practice principles for responsible investment. It provides a framework for achieving better long term investment returns and more sustainable markets.</td>
</tr>
<tr>
<td>Equator Principle</td>
<td>Is a set of environmental and social benchmarks for managing environmental and social issues in development project finance globally.</td>
</tr>
<tr>
<td>Role of International Labor Organization (ILO)</td>
<td>It formulates international labor standards in the form of conventions and recommendations setting minimum standards of basic labor rights.</td>
</tr>
<tr>
<td>International Organization for Standardization (ISO) 26000</td>
<td>ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of</td>
</tr>
</tbody>
</table>
Occupational Health & Safety Advisory Services (OHSAS) Standard

Is applicable to any organization which aims to establish a health and safety management system at work.

Source: (Compiled by Researcher)

As stated the above codes and standards are voluntary in nature, but International governments have formulated acts and policies to streamline the concept of CSR and ES within their countries. Table 1.7 summarizes recent requirements on CSR and ES by some international governments:

**Table 1.7**

REQUIREMENTS ON CSR AND ES BY INTERNATIONAL GOVERNMENTS

<table>
<thead>
<tr>
<th>Name of Country</th>
<th>Requirements on CSR and ES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td><strong>2007-2008</strong>: Canadian Standards Association (CSA) GHG Registries is created to assist companies to manage measure and report GHG emissions. <strong>1999</strong>: The Environmental Protection Act requires companies to provide information on specific pollutant emissions.</td>
</tr>
<tr>
<td>China</td>
<td><strong>2008</strong>: An influential directive strongly encourages state-owned enterprises to follow sound CSR practices. <strong>2008</strong>: The government’s “Green Securities” policy requires listed companies to disclose more information about their environmental record.</td>
</tr>
<tr>
<td>Denmark</td>
<td><strong>2009</strong>: Companies are required to disclose their CSR activities and use of environmental resources. <strong>1996</strong>: Companies with “significant environmental impacts” are obligated to publish green reports.</td>
</tr>
<tr>
<td>European Union</td>
<td><strong>2013</strong>: EC proposes Directive of the European Parliament and of the Council to require CSR disclosure in annual financial reporting. <strong>2013</strong>: Investors support amendments proposed by European Commission (EC) to improve transparency on environmental, social, and governance (ESG) reporting.</td>
</tr>
<tr>
<td>India</td>
<td><strong>2013</strong>: The Companies Bill 2012 makes it mandatory for companies with net worth of more than Rs 500 crore, or turnover of Rs 1,000 crore to adopt a CSR policy. <strong>2009</strong>: Voluntary guidelines for CSR are issued. <strong>2008</strong>: The Companies Act states that board of directors’ reports shall contain information on conservation of energy. <strong>1986</strong>: Specified corporations shall submit an annual environmental audit.</td>
</tr>
<tr>
<td>Country</td>
<td>Year</td>
</tr>
<tr>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td>Japan</td>
<td>2004</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>United States of America</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td></td>
<td>1986</td>
</tr>
<tr>
<td>Europe</td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td></td>
<td>1986</td>
</tr>
</tbody>
</table>

Source: [http://hausercenter.org/iri/about/global-csr-disclosure-requirements](http://hausercenter.org/iri/about/global-csr-disclosure-requirements)

1.10 **RATIONALE AND JUSTIFICATION OF THE STUDY:**

India, in the last few years, has witnessed unparalleled growth in its business sector. The inception of LPG (liberalization, privatization and globalisation) in the Indian economy has resulted in the move of the business goals from socio-economic focus towards increasing shareholders value to the welfare of various stakeholders. A comprehensive investigation of
Indian CSR along with its significance within the business arena leaves us with some key points to confer. Thus, it is the requirement of present to evaluate the proactiveness of organisations towards corporate social responsibility and environmental sustainability. A main observation was drawn from the literature on corporate social responsibility and environmental sustainability that mainstream studies are from developed economies and there is lack of facts and data from emerging markets like India. In India empirical studies have been carried out by some researchers to understand the scope of CSR on business sector as a whole, but evidences has not been generated to identify the approach of listed and unlisted companies. Thus, it is interesting to examine CSR activities carried out by firms and to identify that is there any difference between listed and unlisted companies approach towards CSR. This motivated the researcher to comprehend the proactiveness of organizations towards implementing CSR initiatives in a fast growing economy like India and contribute to the current researches by providing empirical evidence and thus form the rationale of conducting the study.

As stated earlier, a lot of studies have been conducted in last few years in India focusing on perception, trends, initiatives, issues and challenges. Contemporary research on CSR in India is mostly restricted to secondary data and self-reported questionnaire surveys on CSR. CSR in India (Berad, 2011; Timane and Tale, 2012; Prabhakar and Mishra, 2013), nature and characteristics of CSR in India (Srivastava and Sahay, 1995; Arora and Puranik, 2004; Sood and Arora, 2006), policies and practices of CSR in India (Potluri et al, 2012; Garimella and Kolluru; Gautam and Singh, 2010; Muruganantham, 2010), role of CSR in various sector (Gupta and Saxena, 2006 and Pradhan and Ranjan, 2010). Hence, the reviews suggest that statistically examined studies on identifying proactiveness and comparing listed and unlisted companies CSR approach based on authentic CSR ratings are missing for Indian corporations. This motivated the researcher to conduct the study in fast emerging economy like India and contribute to the CSR picture of Indian business sector by providing empirical evidence and thus form the rationale of conducting the study.

**1.1 SCOPE OF THE STUDY:**
The broad areas of investigation that constitute the scope of study are listed below:

- The investigation in the present study includes all listed and unlisted Indian firms from major five sectors: Automobile, Banking/Financial Services, Consumer Durables/FMCG, Information Technology, Pharmaceuticals. The listed firms include companies listed on NSE, BSE and other stock exchanges of India.

- The study analyses, ranks and prioritize the CSR initiatives and practices adopted by sample Indian companies, and also compare CSR approach of listed and unlisted companies.

- The present study explores the priority areas of CSR as an integral part of business as well as providing additional empirical evidence on the areas of CSR in which companies are lacking. Hence providing opportunity to the sample companies to strategically implement their CSR policy and effectively work in the areas which are neglected.

1.12 RESEARCH QUESTIONS:

The title of the present study is “Corporate Social Responsibility and Environmental Sustainability in Indian companies”. The primary objective of the study is to test whether Indian companies are proactive towards Corporate Social Responsibility and Environmental Sustainability; is there any difference between listed and unlisted companies, and also the various sectors of both categories; what are the main CSR areas in which the Indian companied are more proactive. The study also enquires into Indian firms’ perspective on various CSR dimensions through empirical study. Accordingly, a clear statement of the objectives of the study becomes necessary and important. This is particularly important in ensuring that the focus of enquiry is not lost at any stage. The following are the broad objectives of the present study:

1. To comprehend the concept of Corporate Social Responsibility and Environmental Sustainability.
2. To identify and compare the corporate social responsibility practices and environmental pro-activeness of Indian companies.

3. To analyze the perception of managers regarding corporate social responsibility and environmental sustainability.

4. To suggest ways through which company can enhance corporate social responsibility and environmental sustainability practices.

1.13 RESEARCH DESIGN OF THE STUDY:

Although the design of research has been detailed in Chapter 3, a brief overview is presented in this section.

1. **Sample Size:** The final sample analysed for primary and secondary data was based on 100 socially responsible Indian firms, out of which 50 companies were listed on NSE (National Stock Exchange), Bombay Stock Exchange (BSE) as well as on other exchanges and other 50 companies were unlisted.

2. **Data Source:** For primary data collection, survey instrument was used while for secondary data, the company’s websites were referred.

3. **Research Tools and Techniques:** The primary data collected from the survey instrument was analyzed using Z test and one-way Analysis of Variance (ANOVA), along with Descriptive Analysis for assessing the questionnaire.

1.14 PLAN OF THE STUDY:

The chapter plan of the study is so designed that the whole study is comprehensively covered in seven chapters. The chapter plan is as follows:

**Chapter I** extend a prefatory view to the study, pertaining to conceptual background of corporate social responsibility and environmental sustainability in Indian companies. The
Chapter flows through explaining characteristics, drivers responsible and benefits of CSR. It then talks about the global context of CSR and international codes and standards applicable globally. The second part of the chapter includes a statement of rationale and justification, scope of the study and finally, the chapter plan of the study is presented.

**Chapter II** identifies the most important and knowledgeably important academic and practical works throughout the past decade on the concept of corporate social responsibility and environmental sustainability. The reviews have been categorized into two levels; reviews at global level and reviews of the studies in India.

**Chapter III** discusses research design of the study in detail. It defines the research objectives empirically examined, research hypothesis along with the methodology used in the survey instrument. The chapter further outlines statistical tools applied to test the research hypothesis and achieve research objectives.

**Chapter IV** presents the dynamic conceptual development of CSR in Indian perspective. A detail of the genesis of Indian social responsible structure has been put through, highlighting the current state of CSR in India and its relevance in the Indian business sectors.

**Chapter V** presents the analysis and interpretation of the survey results using Z-test and ANOVA based on the responses received. The results of discussion and conclusions of a comprehensive statistical investigation are presented for each hypothesis and are discussed in this chapter.

**Chapter VI** discusses profile and case study analysis of Tata Consultancy Services and Mahindra & Mahindra in detail.

Key findings, summary, conclusion, suggestions and future scope of research are presented in **Chapter VII** followed by Bibliography and Annexure.
To sum up, CSR is becoming a leading principle of top management and of entrepreneurs. It is not a fad or a passing trend, it is a business imperative that many Indian companies are either beginning to think about or are engaging with in one way or another. Thus, in Corporate Social Responsibility the main concerns of CSR are the management of business processes to impact the society positively. Along with the statutory obligation, organizations are voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

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