CHAPTER 2  
CORPORATE SOCIAL RESPONSIBILITY:  
AN INTERNATIONAL AND NATIONAL SCENARIO

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In this chapter, researcher made an effort to provide an overview of the international and national trends in CSR, evolution, history, theories and practices. Moreover, how companies are managing CSR in India, guidelines, principles, rules and regulation, their focus areas and how they are disclosing their CSR activities to the public. This study was based on research conducted using secondary literature review on information available in the public domain.

2.1 Introduction

Corporate social responsibility and ethics are the issues that are becoming more and more important in today's business environment. Business in this era is free to operate and accumulate profits. The effects of CSR activities on the profitability and the long-term survival of a firm are enormous (Fairbrass, O’Riordan and Mirza, 2005). Businesses are part of a society having duties like other ‘citizens’ (Carroll, 1989). Nowadays, many business firms had started realizing significance of CSR as a tool for dominating the competitive conditions existing in the national as well as international market, for customer retention, and sustainable growth (Skapinker, 2008). Businesses also focus on customer-centric excellence in terms of high quality products and services simultaneously providing value for money, treating employees fairly and partners as important assets, agility, innovation in products and services, social responsibility, and to build up environmental friendly techniques of production, design, recycle industrial waste-products and conserve natural resources of the country, forest conservation by planting more and more trees and customer solutions for sustainable development in the country (Jones, 1980). The business have impact on different stakeholders i.e., the Employees, Customers, suppliers, shareholders, the local community and the environment in various ways.

Corporate social responsibility (CSR) allows business organizations to develop responsible attitude toward the all the stakeholders and give a frame to work within that frame and to behave ethically and contribute towards the economic development of the nations. Corporate sector in every country has a major role to play in developing it. Moreover, corporate sector treated as a backbone of the economy and have a great responsibility in development and growth of the nation. Every business has some responsibility to improve the general living standards of the
society, elevating educational standards and creating a positive impact on society. This can be possible through CSR in this globalized economy.

2.2 Evolution of Corporate Social Responsibility

There is an impressive history associated with the evolution of the concept and definition of Corporate Social Responsibility. The general understanding of the term, ‘Corporate Social Responsibility’, is that business has an obligation to society, which extends beyond its narrow obligation to its owners or shareholders. This idea has been discussed throughout the twentieth century, but it was Howard R. Bowen’s book ‘Social Responsibilities of Businessman’ published in 1953, which was the origin of modern debate on the subject. Since then, the topic of corporate social responsibility has been explored extensively. He reasoned that there would be general, social and economic benefits that would accrue to society, if business recognized its broader social goals in its decisions.

2.3 Development and History of Corporate Social Responsibility

The development of CSR comprises three phases: (1) Rise and extension; (2) Decline and absorption; (3) Revival of the concept. Although, responsibility rhetoric remains, the responsibility construct has tended to evaporate under criticism of its alleged vagueness and internal inconsistency (Levitt, 1958; Friedman, 1962, 1970). What Carroll (1999, p. 268) calls ‘alternative themes’ have succeeded that construct in academic circles, corporate social performance, stakeholder theory, and business ethics approaches. In managerial circles global corporate citizenship and stakeholder stewardship rhetoric focused in practice on an emerging economic theory of profitable ‘responsibility’. The academic context of this developmental history is conceptually and empirically disparate. Business and society studies comprise a very loose affiliation of several research and teaching streams. While partly overlapping, these streams do not organize around any widely accepted core paradigm (Preston, 1975). These streams generally include business ethics, corporate social performance, environmental protection, global corporate citizenship, international policy regimes, public policy (i.e., business-government relations), and stakeholder agreement theory. In 1950s saw the start of the modern era of CSR when it was more commonly known as social responsibility. Howard Bowen in 1953 published his book, Social
Responsibilities of the Businessman, and was largely credited with coining the phrase corporate social responsibility and was possibly he became the father of modern CSR. Bowen advocated that Corporate Social Responsibility was “industry’s responsibility to practice those policies, to make those decisions, or to follow those lines of actions which are advantageous for the society” (Bowd, 2003). An extensive move toward the business responsibilities, including responsiveness, stewardship, social audit, corporate citizenship and fundamental stakeholder theory (Thomas and Nowak, 2006).

2.4 Definition of Corporate Social Responsibility

(Barnett, 2005) defines “Corporate social responsibility is voluntary activity by the business aimed at the welfare of the society”.

The World Business Council on Sustainable Development (WBCSD 2002) defines CSR as “The integration of social and environmental values within a company’s core business operations and to the engagement with stakeholders to improve the well-being of society”.

(Business for Social Responsibility, 2000) defines CSR as “Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment”.

(Indian NGOs, 2003) defines “Corporate social responsibility is a business process wherein the institution and the Individuals within are sensitive and careful about the direct and indirect effect of their work on internal and external communities, nature and the outside world”.

(Frederick and Post, 1992) defines “Corporate social responsibility as a principle stating that corporations should be accountable for the effects of any of their actions on their community and environment”.

(Hopkins, 1998) defines “Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation”.

(Strategis, 2003) defines “CSR is generally seen as the business contribution to sustainable development, which has been defined as development that meets the needs of the present without compromising the ability of future generations to meet their
own needs, and is generally understood as focusing on how to achieve the integration of economic, environmental and social imperatives”.

A Department of Trade and Industry (DTI) (2008) working group defined CSR as “The management of an organization’s total impact on its immediate stakeholders and the society within which it operates.” (www.study mode.com)

It can be concluded from the above definition, that CSR has been developed around the following principles:

- The interests of the firm’s stakeholders should be represented at the company board and the decision-making process of the firm.
- CSR activities contribute directly towards society and other stakeholders, and help in sustainable development of the nation.
- Businesses are accountable towards the effects of their actions on their community and environment.
- CSR provide framework to act ethically and responsibly towards different stakeholders and profit making is not only the sole motive of corporations.
- CSR is usually understood to be the way a company achieves a balance or integration of economic, environmental, and social necessarily and simultaneously coping with stakeholder expectations.

2.5 Concept of Corporate Social Responsibility

The escalating concept of Corporate Social Responsibility (CSR) goes beyond charity and requires the company to act beyond its legal obligations and to integrated social, environmental and ethical concerns into company’s business process (Carroll, 1991). Globalization made the world minor, and business, worldwide, is expanding like never before. Companies are expanding their operations and crossing geographical boundaries to spread their operations in other countries (Bowd, Bowd & Harris, 2006). Indian companies also coping with the international business boom and are at present internationally recognized as major players. India is presently amongst the fastest growing countries in the world. The globalization and liberalization of the Indian economy has assisting in accelerating growth rates.

In the current scenario, business enterprises are no longer expected to play their traditional role of mere profit making enterprises. The ever-increasing role of civil society has started to put pressure on companies to act in an economically,
socially and environmentally sustainable way. (Matten and Moon, 2008) The companies are facing escalating force for transparency and accountability, being placed on them by their employees, customers, shareholders, media and civil society. Businesses through CSR activities are also in a unique position to influence society and make positive impact (www.ficci-sedf.org). The triple bottom line approach to CSR emphasizes a company’s commitment to operating in an economically, socially and environmentally sustainable manner. The emerging concept of CSR advocates moving away from a ‘shareholder alone’ focus to a ‘multi-stakeholder’ focus. This would include investors, employees, business partners, customers, regulators, supply chain, local communities, the environment and society at large (Robins, 2005). The concept of CSR supposes that corporate behavior that goes beyond legal requirements. CSR is the meticulous ‘issues’ which an organization takes into consideration when developing strategies and on which an organization exceeds its minimum required obligations to stakeholders (Arora and Puranik, 2004). Usually, these issues are both internal and external to the organization i.e., employee benefit, working environment, green issues, products etc. Today, the corporate social responsibility extends to human rights, workplace practices, marketplace practices, corporate power, environmental impact, corruption, community affairs and effective stakeholder dialogue.

2.6 Importance of Corporate Social Responsibility

Corporates interact with society in many ways. They invest in facilities, produce and sell products, employ people and subcontract or in-source many activities. They also have an impact on the environment by the nature of their activities, by using valuable resources, or creating by-products, which influence the physical environment. Their interaction with society is through their employees and the many facets of society around them. Further, corporates may act explicitly as responsible, for either emotional reasons or business purposes. As the organization is a part of the society, it cannot function in isolation. So there is an obligation and responsibility from the part of the corporate to take action that protects and improves the welfare of society as a whole along with company’s own interest (Davis, 1975). The society plays a pivotal role in the success of any organization. Hence, no
organization can achieve long-term success without fulfilling the responsibility towards the society.

Originally, businesses were seen strictly as economic entities with the primary responsibility for producing goods and rendering services required by a society. This is the classical view held by Milton Friedman and Hayek, Theodore Levitt and other authors. According to (Friedman, 1971) “Corporate social responsibility is beyond the basic purpose of business and violates the responsibility of business to its owners, the stockholders”.

With the business environment being characterized by various developments including the shift of power from capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries due to faster means of travel and communication, people are, by and large, becoming conscious of their rights, which has led to a rise in the expectations of society from business. Thus, businesses depend on society further existence and (Brenner and Cochran, 1991) it is in their interest to take care of society. Businesses cannot operate or in vacuum. Like individuals, businesses also need to live in the real world, i.e., in society.

Corporate Social Responsibility involves a commitment by a company towards the sustainable economic development of the society. It means engaging directly with local communities, identifying their basic needs, and integrating their needs with business goals and strategic intend. The government perceives CSR as the business contribution to the nation’s sustainable development goals. Essentially, it is about how business takes into account the economic, social and environmental impact of the way in which it operates. Simply stated, CSR is a concept, which suggests that commercial corporations must fulfill their duties of providing care to the society.

The managers of large corporations and smaller businesses came to realize that they have responsibilities that extend beyond their own stockholders to a wide range of parties dependent on or affected by corporate performance. These parties are known as stakeholders. (Freeman 1984) classic definition of stakeholders, arguably the most popular definition cited in the literature (Kolk and Pinske 2006), proposed that stakeholders are ‘any group or individual who can affect or is affected by the achievement of a corporation’s purpose’. In addition to a company’s shareholders, its stakeholders include its employees, the communities in which it operates suppliers, customers, government and society at large.
The business class should render their support to the general people. If they will be uplifted socially and economically, the productivity of the corporate is also bound to increase. The Corporates are to act according to the environmental factors given in Fig. 2.1 like social, legal and ethical environment.

**Figure (2.1) Corporates and Environmental Factors**

![Diagram showing Corporates and Environmental Factors]


As per the above figure (2.1) Corporate Social Responsibility is an obligation of the organization to act in a way that serves both its own interests and interests of its many external communities and environmental factors such as social environment including customers, employees, creditors, suppliers of goods, society and legal environment comprises of state and local governments. To get successful results corporates should hold moral values and judgments and ethical standards.

### 2.7 Corporate Social Responsibility and Sustainability

Corporates are not merely profit making institution; they have responsibilities to help society to overcome problems of the business. One of the areas in which corporate social responsibility has to be practiced by corporate are health, environmental issues, education, community, and promotion of art and culture and climate change. Many factors and influences have led to increasing attention being devoted to the role of companies and CSR. These include:

1) **Sustainable Development:** United Nations’ (UN) studies and many others have underlined the fact that humankind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. In this sense, much of
current development is unsustainable; it cannot be continued for both practical and moral reasons. Related issues include the need for greater attention to poverty alleviation and respect for human rights. CSR is an entry point for understanding sustainable development issues and responding to them in a firm’s business strategy.

2) **Globalization:** With its attendant focus on cross-border trade, multinational enterprises and global supply chains. Economic globalization raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things. CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export-oriented firms in emerging economies.

3) **Governance:** Governments and intergovernmental bodies, such as the UN, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct. CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.

4) **Corporate Sector Impact:** The sheer size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability. Even small and medium size enterprises (SMEs), which collectively represent the largest single employer, have a significant impact. Companies are global ambassadors of change and values. How they behave is becoming a matter of increasing interest and importance.

5) **Communications:** Advances in communications technology, such as the internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess and profile business practices they view as either problematic or exemplary. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.
6) **Finance:** Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.

7) **Ethics:** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the envi mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards.

8) **Consistency and Community:** Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. In the CSR context, firms can help build a sense of community and shared approach to common problems.

9) **Leadership:** At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. CSR can offer the flexibility and incentive for firms to act in advance of regulations, or in areas where regulations seem unlikely.

10) **Business Tool:** Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency (Sehgal and Mir, 2014).

### 2.8 Benefits of implementing CSR for Corporate

1) **Better anticipation and management of an ever-expanding spectrum of risk.** Effectively managing governance, legal, social, environmental, economic and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall market stability. Considering the interests of parties concerned about a firm’s impact is one way of better anticipating and managing risk.
2) **Improved reputation management.** Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for firms that do not have direct retail exposure through brands, their reputation for addressing CSR issues as a supply chain partner—both good and bad—can be crucial commercially.

3) **Enhanced ability to recruit, develop and retain staff.** This can be the direct result of pride in the company’s products and practices, or of introducing improved human resources practices, such as “family-friendly” policies. It can also be the indirect result of programs and activities that improve employee morale and loyalty. Employees are not only front-line sources of ideas for improved performance, but are champions of a company for which they are proud to work.

4) **Improved innovation, competitiveness and market positioning.** CSR is as much about seizing opportunity as avoiding risk. Drawing feedback from diverse stakeholders can be a rich source of ideas for new products, processes and markets, resulting in competitive advantages. For example, a firm may become certified to environmental and social standards so it can become a supplier to particular retailers. The history of good business has always been one of being alert to trends, innovation, and responding to markets. Increasingly, mainstream advertising features the environmental or social benefits of products (e.g., hybrid cars, unleaded petrol, ethically produced coffee, wind turbines, etc.).

5) **Enhanced operational efficiencies and cost savings.** These flow in particular from improved efficiencies identified through a systematic approach to management that includes continuous improvement. For example, assessing the environmental and energy aspects of an operation can reveal opportunities for turning waste streams into revenue streams (wood chips into particle board, for example) and for system-wide reductions in energy use, and costs.

6) **Improved ability to attract and build effective and efficient supply chain relationships.** A firm is vulnerable to the weakest link in its supply chain. Like-minded companies can form profitable long-term business relationships by improving standards, and thereby reducing risks. Larger firms can stimulate
smaller firms with whom they do business to implement a CSR approach. For example, some large apparel retailers require their suppliers to comply with worker codes and standards.

7) **Enhanced ability to address change.** A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur. Increasingly, firms use CSR as “Radar” to detect evolving trends in the market.

8) **More robust “social licence” to operate in the community.** Improved citizen and stakeholder understanding of the firm and its objectives and activities translate into improved stakeholder relations. This, in turn, may evolve into more robust and enduring public, private and civil society alliances (all of which relate closely to CSR reputation, discussed above). CSR can help build “social capital.”

9) **Access to capital.** Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. A business plan incorporating a good CSR approach is often seen as a proxy for good management.

10) **Improved relations with regulators.** In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use (or are considering using) CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached.

11) **A catalyst for responsible consumption.** Changing unsustainable patterns of consumption is widely seen as an important driver to achieving sustainable development. Companies have a key role to play in facilitating sustainable consumption patterns and lifestyles through the goods and services they provide and the way they provide them. “Responsible consumerism” is not exclusively about changing consumer preferences. It is also about what goods are supplied in the marketplace, their relationship to consumer rights and
sustainability issues, and how regulatory authorities mediate the relationship between producers and consumers (Hohnen and Potts 2007).

2.9 Practical CSR Initiatives for Small Business

Drawing on the activities of small businesses implementing CSR, here is a list of practical CSR activities a small business can do. These initiatives are likely to be of interest to personnel in larger firms as well.

2.9.1 Improving the environment:

a) Reduce consumption of energy, water and other natural resources, and emissions of hazardous substances;

b) Use or produce recycled and recyclable materials, increase the durability of products, and minimize packaging through effective design (reduce, reuse and recycle).

c) Train and encourage staff to look for additional ways to reduce the firm’s environmental footprint.

d) Use “green” (i.e., renewable energy) power electricity suppliers and energy-efficient lighting;

e) Join or start a local “green business” club that can help local firms access conservation grants and expertise for reducing waste, water use and energy;

f) Consider using video-conferencing to meet a potential supplier or customer rather than always physically travelling to meetings; and

g) Establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices.

2.9.2 Improving human resource management practices:

a) Establish policies to ensure the health and safety of all employees and make the policies known to employees;

b) Involve employees in business decisions that affect them and improve the work environment;

c) Consult employees on how to handle a downturn in business (e.g., offer the option of all staff taking pay cuts or reduced hours instead of layoffs);

d) When layoffs or closures are unavoidable, offer outplacement services, retraining and severance benefits;
e) Provide training opportunities and mentoring to maximize promotion from within the organization;
f) Extend training to life management, retirement planning and care of dependents; Be open to job splitting, flex-time and other work-life balance policies;
g) Share training and human resources programs with other local small businesses;
h) Consider supporting daycare for children or elderly dependants;
i) Encourage a healthy workplace (e.g. implement a smoking ban or drug and alcohol abuse support program); and
j) Provide exercise facilities or offer subsidized membership at a local gym.

2.9.3 Promoting diversity and human rights:
   a) Make sure that all staff knows that there are explicit policies against discrimination in hiring, salary, promotion, training or termination of any employee on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion.
   b) Do not tolerate jokes or behavior in the workplace that insult employees on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion.
   c) When hiring, think creatively about where to advertise the job and whether there are any local employability schemes (e.g., run by a local council or employer) to help find work for people who are homeless or disabled.
   d) Pay comparable wages for comparable work.
   e) Support organizations that promote fair trade and human rights compliance.
   f) Check where products are manufactured and look into any associated human rights concerns.

2.9.4 Helping the community:
   a) Encourage employee volunteering in the community and with financial contributions and help in kind.
   b) Make some of the business’s product or services available free or at cost to charities and community groups.
   c) Look for opportunities to make surplus product and redundant equipment available to local schools, charities and community groups.
   d) Buy from local suppliers and strive to hire locally.
   e) Offer quality work experience for students (job shadowing).
f) Collaborate with local teachers to make the business the subject of a school project.

g) Use the business’s experience to help a local school, charity or community group become more efficient and entrepreneurial.

h) Use some of the marketing budget to associate the business or brand with a social cause.

2.9.5 In general:

a) Develop new environmental and social products and services; innovation brings competitive advantage.

b) Share CSR lessons learned with business customers, business neighbours and fellow members of a trade association or business organization.

c) The environmental, social and economic performance of the business to stakeholders and consider their ideas and views as the business develops.

d) Commit to an external code or standard or a set of business principles that provides a framework to measure progress on environmental, and social and community issues (Hohnen and Potts 2007).

2.10 Company Stakeholders and their Concerns

The following table showed different important stakeholders and their concerns and responsibility towards them:

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<th>Stakeholder</th>
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<td>Customers</td>
<td>Value, quality, customer care, ethical products.</td>
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<td>Shareholders</td>
<td>Return on investment, income</td>
</tr>
<tr>
<td>Employees</td>
<td>Rates of pay, job security, compensation, respect, truthful communication, Quality, worker protection, jobs.</td>
</tr>
<tr>
<td>Society</td>
<td>Jobs, involvement, environmental protection, shares, truthful communication.</td>
</tr>
<tr>
<td>Government</td>
<td>Taxation, VAT, legislation, employment, truthful reporting, diversity, legalities, externalities.</td>
</tr>
<tr>
<td>Owner(s)</td>
<td>Profitability, longevity, market share, market standing, succession planning, raising capital, growth, social goals.</td>
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2.10.1 Responsibility towards Customers

Customers are one of an organization’s stakeholders. Customers provide revenue in return for the benefits that ownership of the product or service brings. Customers want the business to produce quality products at reasonable prices. Without customers a business would not exist. Focused was also given on the influence of CSR on brand image and consumer trust (Kennedy, Ferrell, & LeClair, 2001). Therefore business major objectives is to win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by technological, environmental and commercial expertise. Organizations are increasingly investing resources to demonstrate their commitment, ethical outlook, and responsible behavior in this area (Martinet & Reynaud, 2000). Studies have recognized that CSR programs certainly have a strong influence on consumers’ attitudes and behaviors towards products and companies (Sen & Bhattacharya, 2001). Practitioners understood the value of company’s socially responsible actions and its impact on driving consumers’ purchasing decisions along with the traditional criteria of price, quality and service (Swaen & Chumpitaz, 2008).

All companies, brands are very important as they communicate to customers, employees and other stakeholders regarding the images of companies or their products. If the goods or services of organization are superior, it will be supported by the stakeholders. But, on the other hand if they are not, it damaged the company’s images, goods or services at that point of time (Enquist Edvardsson and Sebhatu, 2008).

Company must keep customer in mind at all times and make the quality products and services at highest priority. From the quality assurance efforts of each employee to the quality of our company as a whole, we will devote ourselves to creating products and services that please our customers and earn their trust. But for the consumers patronage a business cannot survive and grow. That is why Peter Drucker said, ‘There is only one valid definition of business purposes: to create a customer’ and this purpose must be outside of the business itself. The customer is the foundation of business and keeps it in existence and it is to supply the customer that society entrusts wealth producing resources to the business enterprise. The main function of business is to create a customer and the profits are just a result of it.
The Social responsibilities of business towards customers are:

(a) The goods must meet the needs of the consumers of different classes, tastes and purchasing power.
(b) The goods must be reasonably priced, of dependable quality and of sufficient variety.
(c) The sale should be followed by service to ensure advice, guidance and maintenance.
   A fairly widespread distribution of goods and services among all sections of consumers and the community.
(d) The prevention of concentration of goods in the hands of a limit number of producers or purchasers or goods.
(e) Avoiding creation of artificial scarcity.
(f) Revealing truths in advertising and labels.
(g) Avoiding misleading advertisements and
(h) Formation of a consumer advisory council to solve the consumer’s problem.

The growth of business will depend not only on meeting the present requirements of the consumer but also on creating new consumer demands which could serve a better cause. This aspect requires consideration of the owners of private sector as well as public sector if they are to serve the real cause of the society. (Ali, Alam and Malik, 2012).

2.10.2 Responsibility towards Shareholders

Shareholders are concerned with assessing the profitability of their investment. The decisions made by managers determine what they can expect both in terms of dividends, or profits, and capital growth, both of which are reflected through the share price (http://businesscasestudies.co.uk/). It is also important for the company's stability that shareholders continue to hold shares. Investors have a number of different companies and investment options to choose from and, if a company in which they have invested is not producing returns for them, they may sell their shares and invest elsewhere. Sales by large institutional shareholders can create uncertainty about the company's performance and future and cause the share price to fall. This can limit the company's ability to grow and develop.

The traditional company law very clearly lays down that the company management has to function for the shareholders, on behalf of the shareholders and in the interest of the shareholders. It manages the company for the shareholders and it
much earns the maximum profit, which must ultimately, belongs to the shareholders. It is the duty of the management as trustees to promote the interests of the stockholders—interpreted as maximum returns on and conservation of invested capital, any tendency to consider the interests of workers, consumer or the public except as these might directly or indirectly advance the interests of stockholders, is therefore a violation of a trust. This is exactly the strict legal position. But as enunciated earlier, the concept of social responsibility provides that under modern conditions that the interests of stockholders can be better served only by assumption of responsibilities toward workers, consumers, and the public, otherwise it would be most difficult to run the corporation on behalf of the stockholders.” (Ali, Alam and Malik, 2012)

2.10.3 Responsibility towards Employees

Human resource is the most valuable asset for any organization. The aim of a company management should be to win the whole-hearted support of its employees. They should be made to feel that they belong to the company. They should be treated in such a way that they develop a ‘sense of belonging’ or a ‘sense of oneness’ with the organization. The management should not think that its people are mere paid servants. They are to be considered as co-partners in the organization. It should care not only for the working conditions and minimum living conditions of its people. Their psychological needs such as desire for status, freedom of expression and free association with superiors are to be satisfied. This is the basic condition for real motivation. The following may be a variable mix for human motivation.

1. Allotment of work according to one’s aptitude and temperament.
2. Work-habituation—one should have been habituated to work from childhood.
3. Assurance of vertical promotion and growth in the line of work—possibility of reaching the top position or positions in the organization.
4. Sufficient satisfactory and just rewards.
5. Ambition for progress.
6. Just political, economic and social environment.
7. Justice, equity and fairly in behavior.
8. Environment of equality in behavior and a spirit of comradeship everywhere
10. Group pressures.
11. High quality of direction and leadership.
(12) Good working condition.
(13) Change of workers position to avoid monotony
(14) Progress and rise of fellow workers, neighbors, relatives and others known to the workers.
(15) Esteem needs or egoistic needs related to worker’s dignity and self-respect. Egoistic needs appear never to be completely satisfied and so never lose their motivating power.
(16) Self-actualization needs. These are the individuals’ needs for realizing his own potentialities, for self-fulfillment, for continued self-development.
(17) One’s influence and importance in the organization.
(18) Individuals’ own ideal and view of life and value system.
(19) Cultural characteristics.
(20) Education and training.

The other motivating forces which help the employees to become more satisfy and loyal to the business are discussed below:

2.10.3.1 Fair wages and salaries: As Taylor considered money is the greatest motivating force. They should be such that a wage- earner can provide for himself and his family consisting of a reasonable number of members, such as wife, two children and one or two dependants) the minimum necessities of life such as food, clothes, a moderately rented one-room flat, reasonable medical care, education, and basic minimum insurance against old age, invalidity and unemployment. There is also the view that wages should be a little over what the needs justify so that employees may have some minimum surplus for other comforts with which they can give shape and expression to life and their own ideas. This particular social responsibility of business with regard to wages naturally depends on the ability of the company to pay and on the productivity of the workers.

2.10.3.2 Good Relationship between Employer & Employees: As Schoen Donald suggested that Human relation approach is also a motivating force. The major obstacles standing in the way of good relationship between employers and employees can be divided under two broad categories:

I. Lapses on the part of employers.
II. Lapses on the part of Employees.
i.) Lapses on the part of employers include:
   (a) Unsympathetic and unseemly treatment by supervisors;
   (b) Favoritism by employers in appointment, promotion and other matters.
   (c) Lack of leave with or without pay.
   (d) Lack of communication between the management and workers as a normal routine course of behavior inside the organization
   (e) General absence of any norms, and lack of appreciation of meritorious achievements and no condemnation of lathery and neglect.
   (f) Delay in settling disputes.

ii.) Lapses on the part of employees include:
   (a) Indiscipline and negligence in carrying out the orders of superiors.
   (b) Lack of real desire to improve efficiency.
   (c) Politically inspired trade unions controlled by outsiders who do not belong to the industry or labour; tarnishing the whole image of the employer relationship.
   (d) Strikes, gherao, etc.

2.10.3.3 Employees Welfare Facilities

Management should assume responsibility towards employee’s welfare amenities e.g. Provision for satisfactory working conditions, including safety and security, educational facilities, medical facilities, housing accommodation, canteen facilities, drinking water facilities etc. (Ali, Alam and Malik, 2012)

2.10.4 Responsibility towards Society

The management is responsible to the community for protecting the public interest of society. By producing goods and services efficiently and by fair means, business can contribute to the economic well being of the community and its social uplift. This responsibility extends to improving the quality and volume of the products lowering costs, and thereby prices, thus contributing to greater satisfaction and well being of the consumers. The gains from increased productivity and growth should be shared equitably among the management, the shareholders, the workers and the consumers. Business must contribute to the advancement of local amenities of the community. It should bear the social cost of its anti-social conduct e.g. fouling the air, destruction of the natural beauty of the surrounding landscape, condition of slums and congestion. Business should take all measures to clean up of existing pollution. It
should design the processes to prevent pollution. It should maintain the environmental quality and ecological standards. It should help the government for wider dispersal of industry. Business should give financial support for artistic activities. Gifts and donations should be made by business for education and assorted charitable purposes in the society.

a) Actively contribute to the communities in which we operate, as well as the international community, facilitating mutually beneficial relationships.

b) Respect the cultures and traditions of the countries in which we operate.

c) Engage in open dialogue with the local and international community.

d) Actively engage in activities that promote our standing as a good corporate citizen.

e) Nurture a culture in which our employees are encouraged to participate in volunteer activities and other activities that facilitate good corporate citizenship.

f) Establish the systems needed to support such efforts. (Ali, Alam and Malik, 2012)

2.10.5 Responsibility towards Government

Business activities are governed by the rules and regulations framed by the government. The various responsibilities of business towards government are:

a) To be a law-abiding citizens.

b) To pay his dues fully and honestly.

c) Not to purchase political support by unfair means.

d) To strive fairly and honestly to stimulate economic growth by making reasonable sacrifices, if the national interest so requires.

e) Not to corrupt public servants.

f) To sell his goods and services without adulteration at fair and reasonable prices.

g) To maintain fair trade practices and refrain from activities like restraint of trade, hoarding, cornering and other such unfair practices.

However, to meet the above social responsibilities business also expects certain considerations from the State. Broadly stated, business expectations from the State are:

a) Clean, prompt and efficient administration.

b) Intelligent, practical laws, easily understood and easily applied.
c) Reasonable stability in legislative, administrative and fiscal policies.

d) Preservation of law and other ensuring safety of life, property and continuity of business.

e) Rational tax structure.

f) Even treatment to various groups and sections in the society. (Ali, Alam and Malik, 2012)

### 2.10.6 Responsibilities towards Owners

A peep into the early history of industrialization shows that the gains arising from production were not always distributed in a socially desirable manner. The producer or owner of the productive unit exploited the other constituents (Workers, consumers, etc.) in a most unfortunate manner. The main objectives of doing business in the past had been the ‘Maximization of profit’, through exploitation of workers or consumers, or society at large. But now a time has come when society is in a mood to say halt to its own exploitation and it has begun to react sharply to any such move of its exploitation, and such social consciousness ultimately checks the very wheels of commerce and industry. Consequently, for the proper conduct of business, the assumption of social responsibility is becoming very much imperative day by day. It means that reasonable profits cannot be made unless business cares for other partners too such as workers, consumers, etc. In this sense, the concept of social responsibility is contributory of profit under modern conditions.

The prime concern of a company should be to mind its economic performance and maintain sound financial health. Unhealthy sick business units will be a burden on the society. Therefore, business should be well managed. Its resources should be properly utilised and its finances should speak of its viable operation both in the short and long-range perspectives. To do good’ one should ‘do well. Otherwise business would find its way out and ultimately the society would suffer. Thus, the first responsibility of a company is to its own self.

The social responsibility towards owners covers such areas as managing the business profitability, ensuring fair and regular return on capital employed, guaranteeing capital appreciation, and consolidating the financial position of the business so that it can withstand fluctuating fortunes so common in business.

The rate of return or investment should be definitely higher than the rate of interest on bank deposits. It is suggested in certain quarters that it should be 6% above the
prevailing bank rate as a minimum, with the maximum not exceeding 16% of the capital investment (Ali, Alam and Malik, 2012).

2.11 Theoretical Studies on CSR

2.11.1 Stakeholder Theory

A Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. A Stakeholder Approach (1984), stakeholder management, stakeholder theory, and other variants of stakeholder analysis have occupied a great deal of managerial research. (Freeman, 1984) argued that business relationships should involve all those who may “affect or be affected by” a corporation. Traditionally, shareholders or stockholders are the owners of the company, and the firm has a binding to put their needs first, to enhance value for them. Stakeholder theory argued that there are other parties which involved in the businesses that include employees, customers, suppliers, creditors, communities, governmental bodies, political groups, trade associations, NGO’s, and trade unions. Shareholder theory represents the classical approach to business, according to this theory a firm’s responsibility rests only with its shareholders (Cochran, 1994). This theory challenges the outlook that shareholders have an opportunity over other stakeholders (Freeman and Reed, 1983). In essence, stakeholder theory states that firms should focus only on maximizing the economic interests of shareholders, the residual owners of the firm (Orts and Schulder, 2002).

Company’s stakeholders can be grouped in the following four categories fig (2.2):

1. **Authorizers** – This group includes government, regulatory authorities, shareholders, and the Board of Directors. These are the stakeholders who have authority over the company and authorize its decisions.

2. **Business partners** – Employees, suppliers, trade associations, and service providers are all business partners. These stakeholders help company in reaching its objectives;

3. **Customer groups** – All kind of customers fall within this stakeholder group; and

4. **External influences** – Community members, media, and issue advocates also influence company’s decision-making process.
The stakeholder concept is highly relevant for CSR, as without it would be difficult to identify various groups (stakeholders) that can be, and actually in practice are, highly influential for company’s success. Further, also many modern definitions of CSR incorporate stakeholder theory (e.g. Chandler, the European Commission). Also, using stakeholder concept can help in measuring CSR. (Clarkson, 1995) proposed that corporate social performance can be examined and evaluated more efficiently by using a framework based on the management of a corporation’s relationships with its stakeholders than by using models and methodologies based on concepts concerning CSR.

**Figure (2.2) Stakeholder Model**

![Stakeholder Model Diagram](image)

*Source: Based on Dell (2007)*

Relationships with stakeholders are not static but develop over time. These relationships often go through the following stages:

1. **Awareness** – At this phase stakeholders recognize that the company exists.
2. **Knowledge** – Stakeholders have begun to know what the company does, its ethics, strategy, and mission. Through this stage companies provide stakeholders with relevant information to make knowledgeable decisions.
3. **Admiration** – At this stage trust between companies and stakeholders is being developed.
4. **Action**—Businesses collaborate with stakeholders. Customers refer business, investors recommend the stock, and employees are willing to take greater responsibility (Epstein, 2008)

### 2.11.2 Legitimacy Theory

According to Suchman (1995), legitimacy is generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions’ (Moir, 2001). Legitimacy theory closely relates to stakeholder theory, the theory also suggests that organizations always try to ensure that they operate within the defined norms and boundaries of their respective societies. In simpler terms, the notion behind legitimacy theory is that there is a ‘social contract’ existing between the organization and the society within which it operates (Guthrie, Petty, Yongvanich, & Ricceri, 2004). Reviewing the prior literature on legitimacy management and including strategic tradition of resource dependency theory (1978), and institutional traditions (1983), Suchman (1995) identified three types of organizational legitimacy: pragmatic, moral, and cognitive. Further, gaining, maintaining, and repairing legitimacy were identified as the three major challenges of legitimacy management.

Suchman (1995) put-forward that legitimacy management is heavily dependent on communication, and thus, to understand legitimacy theory some forms of corporate communications must be examined (Moir, 2001). Lindblom (1994) however believes that legitimacy is not necessarily only a gentle process for organizations to gain legitimacy from the society. She suggested four broad legitimation strategies that an organization can employ on encountering different legitimation threats. First, an organization can seek to educate stakeholders about its intentions to improve their performance. Second, the organization might attempt to change the perceptions of the ‘relevant public’, without changing the organization’s actual performance. Third, the organization can try to divert the attention away from the issue of concern. Fourth, the organization can attempt to manipulate external expectations on its performance (Guthrie, Petty, Yongvanich, and Ricceri, 2004). (Lindbolm, 1994) then concluded that legitimacy can be considered as the key reason to undertake corporate social behavior and also as an action taken for publicity or influences.

(Davis, 1973) presented a converse of the view proposed by (Lindblom, 1994). He suggested that the business does not use its power to legitimate its activity, on the
contrary, in an expectation to be used responsibly, the society grants power to the business. Thus, if the business does not behave responsively, they tend to lose these powers. This re-signified the concept of social contract, between the firm and society. (Moir, 2001) thus concludes that the CSR practice within the organization is potentially motivated in alliance with social contracts theory, and then analyzed using the stakeholder theory, to provide enhanced reputation or legitimacy to the firm.

Legitimacy theory postulates that corporate responsibility reacts to environmental factors (economic, social, and political) and that disclosures legitimize actions (Preston and Post, 1975; Honger, 1982; Lehman, 1983; Lindblom, 1983). Legitimacy theory is based upon the notion that business operates in society through a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival. It therefore needs to disclose enough social information for society to assess whether it is a good corporate citizen. In legitimating its actions via disclosure, the corporation hopes ultimately to justify its continued existence (Lehman, 1783). The theory is largely reactive in that it suggests organizations aim to produce congruence between the social values inherent (or implied) in their activities and social norms (Lindblom, 1983). Corporate social disclosures may then be conceived as reacting to the environment where they are employed to legitimize corporate actions. The legitimacy theory can be conveniently bifurcated into “Legitimacy theory posits that corporate disclosure reacts to environmental factors (economic, social, political).” It also discloses legislative actions.

Business decisions and disclosures are influenced by two sets of factors, viz. internal and external factors. Internal factors can be called internal environment while external factors are called external environment. Internal factors are controllable. They are personnel, physical facilities, organizational factors and functional means. External factors are not within the control of a company. They include economic factors, socio-cultural factors, government and legal factors, demographic factors, geo-physical factors etc. are, therefore, generally regarded as uncontrollable factors.

2.11.3 Agency Theory

Agency theory explains “situations in which one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal’s goals.” The principal-agent relationship arises when one party (the principal) hires another party (the agent) to perform some service and then delegate decision-making authority
to the agents (Steuer and Konrad, 2009). The management of agency relationships plays an important role in corporate governance because corporate governance is often defined as a principal-agent relation. Thus the selection of the principal and the agent is crucial for explaining the relations between the different groups and the choice of a strategy to manage the agency problems (Germanova, 2008). Agency theory is based on the maximization of shareholders value. Companies exist to maximize the wealth of the owner in the form of share price increases and dividend payment. (Friedman, 1970) states that engaging in CSR is indicative of an agency problem or a conflict between the interests of managers and shareholders. He argues that managers use CSR as a means to further their own social, political, or career agendas, at the expense of shareholders. According to this view, resources devoted to CSR would be more wisely spent, from a social perspective, on increasing firm efficiency. Management makes decisions in the running of the business as they have access to information that may not be accessible to the shareholders. In the business environment, agency theory shows the relationship between the shareholders who act as the principals and the

2.12 Carroll’s Pyramid of Corporate Social Responsibility

A wealth of literature has been available on CSR over the period of time, many containing their own classification of CSR and related concepts. The most broadly accepted and referred to conceptualization of CSR found in the business and management literature is that of Archie Carroll, who sees CSR as a construct relating to four different areas of business-society relations (Carroll, 1979, 1991). Carroll (1979) provided some substance to the argument that CSR involves going beyond the law argued that a definition of social responsibility, if it is to fully address the entire range of obligations business has to society; it must symbolize the economic, legal, ethical and discretionary categories of business performance. Business organizations should not only be evaluated on their monetary success but also on non-economic criteria. He also suggested that business organizations are faced with four types of social responsibilities: economic, legal, ethical and discretionary.

Carroll (1991) later suggests that these categories might be showed as a pyramid. In essence a firm is regarded as socially responsible if it is profitable, obeys the law, engages in ethical behavior and gives back to society through philanthropy
(Carroll, 1999). Hemphill (2004) summarizes these four components of CSR as striving to make a profit (economic), obey the law (legal), be ethical (ethics) and be a good corporate citizen in its relationship with stakeholders (philanthropic). (Wood and Jones, 1996) Carroll's four domains have "enjoyed wide popularity among SIM (Social Issues in Management) scholar. Carroll's CSR domains and pyramid framework remain a leading paradigm of CSR in the social issues in management field.

The following model of CSR was given by Carroll known as “Pyramid”. In the Pyramid of Corporate Social Responsibilities (CSR) each of these four elements is discussed below fig (3):

**Figure (2.3) Carroll’s Pyramid of CSR**

2.12.1 **Economic Responsibility**: - The survival of business is motivated by the maximization of profit and increasing shareholder value. Businesses have shareholders who require a good return on their investments. Businesses have employees who desire safe and fairly paid jobs; they have customers who demand good quality of products and services at a fair price etc. Businesses are set up in society and their first responsibility is to function correctly as an economic unit. All responsibilities are based on this first layer of CSR. According to Carroll, the satisfaction of economic responsibilities is hence necessary of all corporations. Economic responsibilities considered to fulfill societal needs and wants by producing products and services to them. It is to be expected that corporation has to make and
sustain strategic planning and under pressure to remain its production cost as low as possible.

2.12.2 Legal Responsibility: - Every business has some legal responsibilities and it has to operate its function under some rule promulgate by central, state, and local governments as the basic rules under which it operate. Legal responsibilities revealed a view of "codified ethics" in the sense that they embody basic notions of fair acts as established by lawmakers. Legal responsibilities are showed as the next layer on the pyramid, but they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system (Carroll, 1991).

2.12.3 Ethical Responsibility: - This responsibility obliges corporations to do what is right, just and fair, even when they are not obliged to by the legal framework. Carroll argues that ethical responsibilities therefore consist of what is generally expected by society over and above economic and legal expectations (Carroll, 1991). A company's legal responsibilities are the compulsions that are placed on it by law. Besides ensuring that company is profitable, ensuring that business follows all laws is the most important responsibility. Legal responsibilities are securities regulations to labor law, environmental law and even criminal law.

2.12.4 Philanthropic Responsibility: - The fourth level of CSR emphasis at the philanthropic or charitable responsibilities of businesses. This level of CSR deal with a great variety of issues such as charitable donations, recreation facilities for employees and their families, support for local schools, or sponsoring of art and sports events, education and health facility for society. (Carroll, 1991) philanthropic responsibilities are merely desired of corporations. A core debate in CSR is the idea of voluntary initiative by the corporation. This certainly applies in the areas of ethical and philanthropic responsibilities, but would also apply to the first two levels. The underlying rationale of explicitly stating economic and legal “Responsibilities” as “Requirements” of corporations assumes that certainly on a short term basis corporations have discretion in the way they live up to these responsibilities. Businesses can choose to, or by virtue of neglect, fail to meet responsibilities to the major stakeholders of companies, shareholders and employees.
2.13 Corporate Social Responsibility in India

Corporate Social Responsibility is not a new term in India. As far back as 1965, the then Prime Minister of India, Lal Bahadur Shastri, presided over a national meeting that issued the following declaration on the Social Responsibility of Business: “Business has responsibility to itself, to its customers, workers, shareholders and the community, every enterprise, no matter how large or small, must if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions, and not to one or two groups, such as shareholders or workers, at the expense of community and consumer. Business must be just and humane, as well as efficient and dynamic.” “Business cannot succeed in a society that fails”, Corporate Social Responsibility is being considered as an imperative for carrying on business in the society rather than as a charity. While Corporate Social Responsibility is relevant for business in all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society, make the process of sustainable development more challenging (Panda, 2008).

Although many companies, NGOs and trade unions were aware of corporate responsibility practices, the concepts are yet to become part of core business strategy in most companies in India. Almost all companies, irrespective of size and sector had some awareness of corporate responsibility and its potential benefits. While most companies also had policies in place related to labour issues, community relations and environmental practices, they were for the most part not backed up by comprehensive implementation and monitoring systems (Rani and Sarala, 2013). Community programmes or social development initiatives, in most cases, were philanthropic and/or adhoc in nature and not integrated into core business activities.

Indian Corporate Social Responsibility has traditionally been a matter of classical paternalistic philanthropy, financially supporting schools, hospitals and culture institutions. However, far from being an add-on motivated by altruism and personal glory, the philanthropic drive has been driven by business necessity. With minimal state welfare and infrastructure provision in many areas, companies had to ensure that their workforce had adequate housing, healthcare and education and simultaneously the country grows at a fast pace.
According to a report by the Centre for Social Markets for the International Finance Corporation (IFC), many leading foreign Multinational Companies and domestic titans, pre-eminently members of the Tata Group, have been standard-setters on core Corporate Social Responsibility issues such as labour conditions, health and safety, environmental management, corporate governance and integrity. India has a venerable tradition of philanthropy, both individual and business, and Indian legend and history is replete with instances of generosity from both sources. But, unlike individual and religious charity which has gone mostly towards immediate relief of distress, business philanthropy has provided secular funds on a significant scale to bring progress to society. Modern India owes much to the vision of the founding fathers of India’s business and industry who endowed many educational and welfare institutions and funded many a worthy cause, including social reform.

Indian families such as Tata and Godrej have a significant industry presence and reputation for social responsibility. One of the Tata Group of companies, Tata Steel, is the first in the country to produce a corporate sustainability report and it administers the only industry town in the world, Jamshepur, which has received the ISO14001 environmental quality certification (Hopkins, 2008). Other companies have followed Tata’s lead, such as Infosys, Ballarpur industries Limited, Paharpur Business Park, Ford India, Samsung India Electronics and Cadbury’s India. They have all produced environmental and social reports.

Corporate social responsibility is one such niche area of Corporate Behavior and Governance that needs to get aggressively addressed and implemented tactfully in the organizations. At the same time Corporate Social Responsibility is one such effective tool that synergizes the efforts of corporate and the social sector agencies towards sustainable growth and development of societal objectives at large. India is a fast growing economy and is booming with national and multinational firms (Sharma, 2011). At the same time, the Indian land also faces social challenges like poverty, population, growth, corruption, and illiteracy just to name a few. Therefore it is all the more imperative for the Indian companies to be sensitized to Corporate Social Responsibility in the right perspective in order to facilitate and create an enabling environment for the partnership between the civil society and business.
2.14 Evolution of corporate social responsibility in India

Corporate Social Responsibility in India refers to transformation over a period in the cultural norms of ‘businesses' commitment of corporate social responsibility. Corporate Social Responsibility refers to the way that corporates managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. India has one of the oldest traditions of CSR but it practices are regularly not run through or done only to earn fame particularly by MNCs with no cultural and emotional attachments to India. The era of globalization make Indian Entrepreneurs alert of social responsibility as significant segment of their business activity but CSR in India has so far to receive common acknowledgment. (Wikipedia)

2.15 Four Phases of CSR Development in India

The history of Corporate Social Responsibility in India has its four phases which run subsequently to India's historical growth and has resulted in dissimilar approaches towards CSR. However, the phases are not stagnant and the features of each phase may have common characteristics to other phases.

The four phases of development of CSR are discussed below:

2.15.1 The First Phase

The first phase consists of charity and philanthropy as the main drivers of Corporate Social Responsibility. Indian Culture, family values, religion & tradition and industrialization had a dominant effect on CSR. The pre-industrialization phase, which lasted till 1850, wealthy merchants shared a part of their wealth with the society by way of setting up temples for a religious cause. Furthermore, these merchants helped the society in getting over periods of famine and epidemics by providing foodstuffs from their storehouses and money and thus securing an integral position in the society. When the colonial arrived in India from the 1850’s onwards, the approach towards CSR was changed. The businessmen of the 19th century i.e., Tata, Godrej, Bajaj, Modi, Birla, Singania were strongly inclined towards economic and social considerations. Though, it has been examined that their attempts towards social as well as industrial advancement were not only driven by noble and religious motives but also manipulated by caste groups and political objectives. (Wikipedia)
2.15.2 The Second Phase
The second phase occurred during the independence movement, there was increasing pressure on Indian Industrialists to show their commitment towards the growth and development of the society. Mahatma Gandhi commenced the idea of "trusteeship", according to which the business leaders had to deal with their wealth so as to help the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put stress on various Industrialists to take action towards the growth of nation and its socio-economic development Indian companies were supposed to be the "temples of modern India". Businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development. (Wikipedia)

2.15.3 The Third Phase
The third phase of Corporate Social Responsibility fall between 1960 -1980 had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating to labour and environmental standards. The public undertakings were seen as the prime mover of development and growth of society. However, the strict legal rules and regulations surrounding the actions of the private companies the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian politicians corporate and academicians, set up a national workshop on Corporate Social Responsibility aimed to resolve the issues. They put emphasis upon transparency, social accountability and regular stakeholder dialogues. (Wikipedia.org)
2.15.4 The Fourth Phase
The fourth phase from 1980 to till date Indian companies started discarding their traditional engagement with Corporate Social Responsibility and incorporated it into a sustainable business strategy. In the 1990’s the first opening towards globalization and economic liberalization were started. Control and licensing scheme fairly had done away which gave advancement to the economy the signs of which are very obvious today. Increasing growth thrust of the economy helped Indian companies to develop rapidly and this made them more willing. Globalization has changed India into an important destination in terms of manufacture and industrialized bases of TNCs are concerned. The Western markets become more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards. This phase give CSR a new era to develop in India and bring sustainable development by the business. (Wikipedia.org)

2.16 Current Scenario of Corporate Social Responsibility in India
The Companies Bill 2012, once enacted, is envisioning result in an increase investments and strategic efforts for CSR in India. Companies will need to revisit their CSR policies, strategies and activities in order to align with the Clause 135. Over 16,200 entities will be required to undertake CSR activities from this year under Section 135 of the Companies Act. These companies account for just 1.6 percent of India's total companies. The Indian Institute corporate affairs IICA, which is under the corporate affairs ministry, will monitor the implementation of the new law. The IICA will maintain the single biggest database of CSR activities of companies and keep an eye on companies’ spending their money on CSR activities. In the first financial year 2014-15 itself, over Rs 20,000 crores will be spent by companies on CSR activities. Spending money for religious or social organizations or events will not constitute CSR activities, nor will welfare measures for employees.

"Companies will have to carry out real CSR work on the ground. They will have to report their spending and activities to the ministry of corporate affairs. What each one of them has done will be put up on the ministry's website and anyone can go and cross-check if that work has really happened at the ground level or not. We hope
that the companies will spend on CSR rather than make excuses," Chatterjee said. (Business Standard)

Since the CSR concept is new for the majority of the companies covered, the IICA is helping train professionals in the sector to guide companies on how to undertake genuine work. Companies can conduct CSR work themselves by engaging professionals or outsourcing this to NGOs.

"The intent is not to transfer government responsibility to the corporate sector. Rather, it is to supplement and complement what the government is doing. The government sometimes has many constraints in spending money. The private sector has far more freedom and leeway in doing that. The corporates can bring greater efficiency and innovation and also ensure that the money spent reaches the target. This will help in socio-economic development, especially for the poor, marginalised and deprived sections," Chatterjee said. (Business Standard)

Corporates who fail to comply with the new rules and also do not explain why they failed to implement their CSR obligations will face punitive action - which could be a penalty of Rs.25 lakh and even imprisonment.

2.17 Legal Frame work, Guidelines and Implementation of Corporate Social Responsibility in India

India’s development sector has evolved significantly over the last few decades and is now witnessing unprecedented interest and investments across the value chain. A crucial and prosperous development sector is central to India’s quest for fair, inclusive and sustainable growth. As the importance of being socially responsible is being recognized throughout the world, governments are aware of the national competitive advantages won from a responsible business sector. Large corporations have progressively realized the benefit of implementing CSR initiatives where their business operations are located. The industry has responded positively to the reform measure undertaken by the government with a wide interest across the public and private sector, Indian and multinational companies.

The Ministry of Corporate Affairs has adopted the role of an enabler, facilitator and regulator for effective functioning and growth of the corporate sector. A number of initiatives are underway on the legislative, service delivery and capacity building sides so that the corporate sector is provided with a buoyant and enabling
regulatory environment for its growth. Simultaneously, the Ministry is also focusing on various issues related to inclusive growth in relation to the development of corporate sector. The subject of Corporate Social Responsibility has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible behavior in governance of its operations, the business can generate value and long term sustainability for itself while making positive contribution in the betterment of the society (MoCA, 2009). Government also decided to bring out a set of voluntary guidelines for responsible business which will add value to the operations and contribute towards the long term sustainability of the business.

2.18 Guiding Principles of Corporate Social Responsibility in India

The Ministry of Corporate Affairs had released Voluntary Guidelines on CSR in 2009 as the first step towards mainstreaming the concept of Business Responsibilities. Keeping in view the feedback from stakeholders, it was decided to revise the same with a more comprehensive set of guidelines that encompasses social, environmental and economical responsibilities of business. These guiding principles will also enable business to focus as well as contribute towards the interests of the stakeholders.

The nine principles of National Voluntary Guidelines are given below:-

- **Principle 1**: Businesses should conduct and govern themselves with ethics, transparency and accountability.
- **Principle 2**: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- **Principle 3**: Businesses should promote the wellbeing of all employees.
- **Principle 4**: Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- **Principle 5**: Businesses should respect and promote human rights.
- **Principle 6**: Business should respect, protect, and make efforts to restore the environment.
Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner (MoCA, 2011).

The Guidelines highlighted that businesses have to make an effort to become responsible performers in society, so that their every action leads to sustainable growth and economic development.

2.19 Implementation of Corporate Social Responsibility in India

With the passage of the Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the Boards of Indian companies. There are a number of queries and concerns of companies associated to the applicability, implementation and likely impact of the Clause 135 of the proposed Companies Bill, 2012. The Ministry of Corporate Affairs and the Indian Institute of Corporate Affairs have undertaken series of discussions with companies in order to know their concerns and draft rules for successful implementation of Clause 135. The introduction of the Corporate Social Responsibility mandate under the Companies Act, 2013 is an effort to increase the government’s efforts of justifiably delivering the benefits of growth and to employ the Corporate World by the country’s development agenda (CII, 2013).

There are many big entities who have been actively engaged in the CSR activities but unfortunately the number is relatively less. In order to encourage more entities to participate in the process of development of the society via- CSR, the Government of India has actually implemented the concept of CSR in the new Companies Act 2013, On 27th February, 2014, the Government of India has notified the rules for CSR spending u/s 135 of the New Companies Act 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 effective from 1st April 2014.
2.20 Eligibility Criteria:
Company (includes foreign company with branches or project in India) having:
- Minimum net worth of rupees 500 Crores.
- Turnover up to 1000 Crores
- Or having a net profit of at least 5 crores
During any financial year, are covered by this provision of Companies Act 2013.

2.21 Composition of CSR Committee
The Company should constitute a Corporate Social Responsibility Committee as follows:
1. The Committee shall consist of minimum 3 (three) including 1 (one) Independent Director, however in case of Private Company or the Company, which is not required to appoint Independent Director on board, or Foreign Company the committee can be formulated with (2) two directors.
2. The CSR Policy shall be formulated in accordance with Schedule VII and the CSR Committee will be responsible for framing the policy, finalizing the amount to be spent on CSR, monitoring & implementation of the Scheme.
3. If Company ceases to fulfill the eligibility criteria for three consecutive years, then the company is not required to comply until the company will meet the eligibility criteria once again.

The CSR Rules provides the manner in which CSR committee shall formulate, monitor the policy and manner of understanding for CSR activities. Under the rules, the Government has also fixed a threshold limit of 2% of the Average Net Profits of the block of previous three years on CSR activities and if Company fails to spend such amount, disclosures are to be made for the same. But an exemption has been given to the Companies that do not satisfy the above threshold for three consecutive years. (CII, 2013)

2.22 Brief on CSR Activities as prescribed under Schedule VII of CA, 2013
1. Objective to efface the daily life segments including poverty, malnutrition and hunger while enhancing the standard of living and promoting the facets of better health care and sanitation.
2. Initiative to promote the different segments of education including special education and programs to enhance the vocation skills for all ages like children, women, elderly and conducting other livelihood enhancement projects.

3. Aim to bring the uniformity in respect of different sections of the society to promote gender equality and other facilities for senior citizens and developing hostels for women and orphans and taking initiative for empowering women and lowering inequalities faced by socially and economically backward groups.

4. Elevate the segment of flora and fauna to bring the ecological balance and environmental sustainability in respect of animal welfare, conservation of natural resources and agro forestry while maintaining the quality of air, water and soil.

5. Enhancement of Craftsmanship while protecting art and culture and measures to restore sites of historical importance and national heritage and promoting the works of art and setting up of public libraries.

6. Steps to bring worthy to the part of war windows, armed force veterans and their departments.

7. Sports programs and training sessions to enhance the level of rural sports, nationally recognized sports, Paralympic sports and Olympics sports.

8. Favoring to Prime Minister's National Relief Fund and contribution to other fund set up by the central government to promote socio-economic development and welfare of the schedule castes and Schedule Tribes and for supporting backward classes, minorities and women.

9. To uplift the technology of incubator that's comes under academic institutions and which are approved by the Central Government.

10. Introducing varied projects for Rural Development.

The below activities doesn't include under the CSR activities of the Company:

a) Business run in the normal course.

b) Outside the territory of the India or abroad.

c) For the welfare of the employees and their families.

d) Political party contribution of any amount directly and indirectly as defined u/s 182 of the Act.
The above CSR activities shall be undertaken by the Company, as per its stated CSR policy, in consonance with the new or ongoing projects excluding activities undertaken in pursuance of its normal course of business. The Board of Directors may decide to undertake its CSR activities approved by the CSR Committee, through a registered trust or a registered society.

2.23 Yearly Compliances by the Companies under Sec 135 of the New Companies Act 2013

1. The Annual Report of the Company shall include a comprehensive Report on CSR in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014, containing particulars on Overview of CSR Policy, Composition of the Committee, Avg. Net Profit, prescribed expenditure and details of its spending, reason in case of failure etc.

2. The disclosure on CSR in Board Report should also be available on the Company's Website.

3. The activities included in the CSR Policy and the prescribed expenditure being undertaken/ spent shall be ensured by the Board, in the respective manner. This means all the Companies falling in the aforesaid criteria needs to ensure CSR compliance but it is debatable to say that the same is for welfare of the society or the companies are doing it just to avoid penalties.

4. CSR stands to support the Company's Vision as well as directions to what Organization stands for and will sustain its clients. An ISO 26000 is the accepted worldwide standard for Corporate Social Responsibility (CSR).

5. CSR term has been reevaluated with an aim to embrace responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, conscience, corporate citizenship, social performance, employees, communities and all stakeholders.

2.24 Fines and/or Imprisonment for Failure to Comply and Report

While a company is not subject to liability for failing to spend on CSR under the 2% Formula, a company and its officers are subject to liability for not explaining such a failure in the report of the board of directors.
Failure to explain is punishable by a fine on the company of not less than 50,000 rupees and up to 25 lakh rupees. Further, officers who default on the reporting provision could be subject to up to three years in prison and/or fines of not less than 50,000 rupees and as high as 5 lakh rupees.

2.25 Permissible CSR Activities in Companies Act

The CSR Clause leaves it to the discretion of the company’s board to determine the exact manner in which the CSR amounts are spent. However, Schedule VII of the Companies Bill requires the CSR policy created by the CSR committee involve at least one of the following focus areas:

1) Eradicating extreme hunger and poverty
2) Promotion of education
3) Promoting gender equality and empowering women
4) Reducing child mortality and improving maternal health
5) Combating [HIV], [AIDS], malaria and other diseases
6) Ensuring environmental sustainability
7) Employment-enhancing vocational skills

Source: - CII

1) Eradicating extreme hunger and poverty
2) Promotion of education
3) Promoting gender equality and empowering women
4) Reducing child mortality and improving maternal health
5) Combating [HIV], [AIDS], malaria and other diseases
6) Ensuring environmental sustainability
7) Employment-enhancing vocational skills
8) Social business projects
9) Such other matters as may be prescribed
10) Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the state governments for socioeconomic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women (CII, 2013).

The next chapter highlights the development Corporate Social Responsibility in Indian Insurance Sector and its overview; this chapter enlightens the life insurance business and CSR activities of the various life insurance of companies operating in India.
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