CHAPTER-I
INTRODUCTION AND DESIGN OF THE STUDY

1.1. INTRODUCTION

In the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state and the society. No longer can firms continue to act as independent entities regardless of the interest of the general public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realize 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. An examination of some of the factors which have lesser experienced to the development of the concept of Corporate Social Responsibility (CSR) would be ideal starting ground for the conceptual development of suitable corporate business practices for emerging markets.

The business environment has undergone vast changes in the recent years in terms of both the nature of competition and the wave of globalization that has been sweeping across markets. Companies are expanding their boundaries from the country of their origin to the evolving markets in the developing countries which have been sometimes referred to as
emerging markets. The current trend of globalization has brought a realization among the firms that in order to compete effectively in a competitive environment; they need clearly defined business practices with a sound focus on the public interest in the markets (Gray, 2001\(^1\)). The increase in competition among the multinational companies to gain first mover advantage in various developing countries by establishing goodwill relationship with both the state and the civil society is ample testimony to this transformation. Secondly, in most of the emerging markets, the state still holds the key to business success because of the existence of trade and business regulating, restricting the freedom of multinational companies to incorporate their previously successful business doctrines which have been tried and tested in the developed nations. The state with its duty of protecting the interests of the general public would naturally be inclined to give preference to companies which take care of the interests of all the stakeholders. Thirdly, emerging markets have been identified as a source of immense talent with the rising levels of education. For example, the expertise of India in churning out software professionals and China in manufacturing has now become internationally renowned. In order to draw from this vast talent pool coming up in developing countries, companies need to gain a foothold in these markets by establishing sound business practices addressing social and cultural concerns of the people. It has been observed that consumers consider switching to another company’s products and services, speak out against the company to family/friends, refuse to invest in that company’s stock, refuse to work at the company and boycott the company’s products and services in case of negative corporate citizenship behaviour (Edenhamp, 2002)\(^2\).

Last but not the least, firms all over the world is beginning to grasp the importance of intangible assets, be it brand name or employee morale. Only firms that have gained the goodwill of the general public and are ideal corporate citizens will be to develop these


\(^2\) Edenhamp, P., (2002), “Insights into how consumers are thinking, how they are acting and why?”, Brand Week, 43(36), pp.16-20.
intangible assets into strategic advantages. The cumulative contribution of all the above mentioned factors can be summarized in Figure 1.1
1.2. MEANING OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”. The European Commission advocates CSR as “Being Socially Responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders”.

Thus CSR exhorts firms to diverge from their sole aim of maximizing profits and to lay more importance on improving the economic and social standards of the community in their countries of operation. CSR can thus be simply defined as the additional commitment by business to improve the social and economic status of various stakeholders involved while complying with all legal and economic requirements. As Warhurst (2001)\(^3\) points out, the three major elements of CSR are product use which focuses on contribution of industrial products that help in well being and quality of life of the society, business practice which focuses on good

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corporate governance and gives high impetus for the environmental well being and equity which tries for distribution of profits equitably across different societies especially the host community.

1.3. EMERGING MARKETS

The term emerging market was originally coined by IFC to describe a fairly narrow list of middle-to-higher income economics among the developing countries, with stock markets in which foreigners could buy securities. The term’s meaning has since been expanded to include more or less all developing countries. World Bank (2002) says that developing countries are those with a Gross National Income (GNI) per capita of $9,265 or less. The World Bank also classifies economics as low-income (GNI $755 or less), middle income (GNI $756-9,265) and high income (GNI $9,266 or more). Low-income and middle income economics are sometimes referred to as developing countries.

The evolution of CSR in these developing economies shows widely varying results. Chambers, Chapple Moon and Sullivan (2003) evaluate the extent of CSR penetration in seven Asian Countries (India, Indonesia, Malaysia, Philippines, Singapore, South Korea and Thailand). Many researchers have hypothesized that CSR in emerging economies is still in a very nascent stage and suitable mechanism do not exist to ensure that companies practice CSR with anything other than a charitable outlook. Kemp (2001) states “There are numerous obstacles to achieving corporate responsibility, particularly in many developing countries where the institutions, standards and appeals system, which give life to CSR in North America and Europe, are relatively weak”. Chambers, Chapple, Moon and Sullivan (2003) measure the extent of CSR penetration in the seven Asian companies and show that the mean value for the seven


countries (even including industrially advanced Japan) is just 41% compared to say a score of 98% for a developed nation like the United Kingdom.

1.4. DIMENSIONS OF CSR AND RELEVANCE FOR EMERGING MARKETS

The Green Paper (2001) by the Commission of the European Communities identifies two main dimensions of CSR, an internal dimension relating to practices internal to the company and an external dimension involving the external stakeholders.

1.4.1. Internal Dimension

This relates to practices internal to the company which need to be modified to incorporate CSR practices. The various components of the internal dimension of CSR are shown in Figure 1.2.

1.4.1.1. Human Resources Management

CSR can be successfully implemented in an organization through precise management of its own workforce. The internal dimension of CSR includes elements like providing an environment for lifelong learning. They are employee empowerment, better information flow, improving the balance between work, family and leisure, diversified work force, profit sharing and share ownership schemes, concern for employability as well as job security among others.

Active follow up and management of employees who are off work due to disabilities or injuries have also been shown to result in cost savings for the companies. Moulding of recruitment policies to include people from ethnic minorities, older workers, women and the long term unemployed would be a significant step forward to incorporating CSR practices in Human Resources Management.

In the context of emerging markets, the availability of cheap labour is an encouraging factor for companies. Dawar and Chattopadhyay (2000) infer from their research that many times, emerging markets are able to provide cheap skilled and unskilled labour at wages which would be substantially cheaper than the normal cost of automation of the job positions. Developed markets have clearly moved towards heavily capital intensive distribution with the introduction of electronic data interchanges, mechanized movement and monitoring of goods, and vending machines that replace sales people. By contrast labour intensive distribution remains economical in emerging markets. For example, in emerging markets, Coca-Cola has not invested in vending machines. These are too expensive relative to sales people dispense the company’s drinks by the single-serve bottle. Similarly, in India, almost 10 per cent of Coca-Cola sales take place through fountains, where a salesperson dispenses drinks by the paper cup. Daily sales of as little as 100 cups justify the cost of the fountain and the person employed to dispense the drinks.

1.4.1.2. Work Safety and Health Measures

Worker safety and labour health have been documented to be having a direct impact on productivity of the labour force. Although legal measures exist in most nations on maintaining standards for ensuring worker safety and providing health benefits, recent trends have made it imperative for companies to adopt a proactive approach to this issue. In emerging markets having significant cost advantages in labour, outsourcing of labour and processes have led to the situation where companies not only need to maintain high safety levels in their own

premises but also ensure that their suppliers and other connected parties comply with these principles.

The increased focus on safety standards and employee welfare has led to the development of standards across industries. Mechanisms are being designed especially in emerging markets for measuring, documenting and communicating these qualities thereby saving time, work and costs in the purchasing process.

1.4.1.3. Adaptation to Change

A recent trend in the global scenario has been the widespread use of mergers and acquisitions for business expansion. Also downsizing has been used, often ineffectively, as a cost cutting measure by firms in their relentless push for profits. According to the Green Paper (2001)\textsuperscript{9} by the Commission of the European Communities “Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions. In practice the process is often as important as the substance to the success of restructuring. In particular this involves seeking the participation and involvement of those affected through open information and consultation. Furthermore, restructuring needs to be well prepared by identifying major risks, calculating all the costs, direct and indirect, associated with alternative strategies and policies, and evaluating all of the alternatives which would reduce the need for redundancies”. However, Bhattacharya and Rahman (2003)\textsuperscript{10} point out that although most emerging economies have labour laws preventing labour retrenchment even in the event of declining sales, in practice lobbying with the bureaucracy and government is an aspect which firms cannot chose to ignore.

1.4.1.4. Management of Environmental Impacts


The importance of this aspect of CSR cannot be overemphasized. Optimization of resource utilization and reducing environmentally damaging effluents can reduce the environmental impact. This will also enable the firms to affect significant cost savings in energy bills and pollution costs. Many firms in emerging markets have had to face serious repercussions from the state and society for over exploitation of natural resources and disregard for environmental safety measures. Studies by Consultancy and Research for Environmental Management on practices of Dutch multinational companies in India (2004) highlight the importance attached by the companies to maintenance of environmental standards. Many multinational companies are realizing to their cost that early compliance with accepted standards will provide strategic advantages in the long run even though cost inefficient in the near future.

1.4.2. External Dimension

This dimension relates to practices concerning external stakeholders. The significance of this dimension of CSR has come to forefront with the advent of globalization leading to the development of international standards for business practices.
1.4.2.1. Local Communities

The development of positive relations with the local community and thereby the accumulation of social capital is particularly relevant for non-local companies. These relations are being increasingly used by multinational companies to support the integration of their subsidiaries into various markets in which they are present. Deep understanding of the local community and social customs is an asset which can be utilized by the companies to gain strategic advantage.

In emerging markets, this is more relevant than ever because of the availability of cheaper labour from the local communities. Companies would find it in their interest to substitute capital substitution with labour and reap the cost benefits. For example, Dawar and Chattopadhyay (2000)\(^\text{11}\) point out the instance of Whirlpool. “Whirlpool discovered that it was unable to sell its high priced, fully automatic machines in the emerging markets. It was only after it introduced twin-tub machines that were cheaper and utilized the consumers’ labour rather than electronics to complete the entire washing cycle that sales took off. Interestingly, due to the fact that these machines had long disappeared in the developed markets, Whirlpool had to acquire the ‘obsolete’ technology from Korea”.

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1.4.2.2. Business Partners

Building long term relationship of sound ethical foundation with suppliers, customers (and even competitors in rare occasions) will enable companies to meet customer expectations better while reducing complexity and costs. Companies should realize their CSR practices which will be judged taking into account the practices of their partners and suppliers throughout the supply chain. The effect of corporate social responsibility activities will not remain limited to the company itself, but will also touch upon their economic partners.

Companies in emerging markets actually take on additional CSR responsibilities because of the existence of outsourcing opportunities in the form of suppliers and outsourcing agents. Also as part of their social responsibility companies are expected to provide high quality products and services, which meet customer expectations in a manner reflecting the company’s concern for the environment and the local conditions. Thus in emerging markets, consumer based business strategies would enable companies to build long lasting relationship with consumers based on trust.

1.4.2.3. Human Rights

According to Robbins (2000)\textsuperscript{12}, “Companies operating in countries where human rights are regularly violated may experience a climate of civil instability and corruption that makes for uneasy relations with government officials, employees, local communities and shareholders”. Amnesty International states “Companies have a direct responsibility to ensure the protection of human rights in their own operations. They also have a responsibility to use their influence to mitigate the violation of human rights by governments, the forces of law and order or opposition groups in the countries in which they operate”. The Caux Round Table Principles state that companies have a responsibility to respect human rights and democratic institutions: and promote them wherever practical.

In the context of emerging markets, operations of companies should not impinge on the land rights of the local community. In particular, the company needs to make sure that people are not forcibly removed from their homes and their livelihoods are not endangered. There is the growing need to develop proper consultative processes with local groups protesting against projects or operations in which they are involved. Firms also need to build confidence in the local community that people (including union members) participating in peaceful protests against company operations are not intimidated, arrested or in any other way threatened. Also, companies can take steps to ensure forced labour is not used in their own, or their suppliers’ operations. According to Robbins (2000) there are reports of Gulags or prison labour camps in China producing products that are then sold locally or exported. An example of foreign companies benefiting from the ruling regime’s abuse of its people is the building of the gas pipeline in Burma. Numerous reports tell of the use of forced labour on a grand scale. Companies need to ensure that human rights principles are withheld in all their operations and related activities in emerging markets.

1.5. CORPORATE SOCIAL RESPONSIBILITY IN INDIA

In India, CSR has evolved to encompass employees, customers, stakeholders and sustainable development or corporate citizenship. The spectrum of CSR includes a number of areas as human rights, safety at work, consumer protection, climate protection, caring for the environment and sustainable management of natural resources. From the perspective of employees, CSR activities include providing health and safety measures, preserving employee rights and discouraging discrimination at workplace. This helps in fostering a healthy environment within the company. For example, after 1945, TATA implemented social welfare provisions for its employees that have since become the legislative norm. From the perspectives of customers, CSR activities may include commitment to product quality, fair pricing policies, and so on.

CSR taken up by various genres of companies primarily focuses on poverty alleviation, environmental protection and sustained development. Companies are taking initiatives for developing infrastructure in rural areas, e.g., TATA Motors provides desks, benches, chairs, tables, cupboards, electrical fittings, educational and sports material to various primary schools
in Singur. The company has also planned similar programmes to upgrade school infrastructure and is also planning to set up a computer laboratory in one of the high schools. Similarly, TVS Electronics was involved in CSR during the Tsunami to provide relief measures to the victims. They have also participated with the government to improve sanitation in a village called Tiruvidenthai. Such initiatives will help in improving the conditions of rural people. Satyam Foundation of Satyam Computer Services Ltd., Infosys Foundation of Infosys Technologies Ltd., GE Foundation of the General Electric Company are exemplary instances of the philanthropic commitment of the corporate sector in India.

After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare programme of the premier Tata Group Company, Tata Iron and Steel Company has started the concepts of “Social Responsibility” (Gupta, 2007)\(^\text{13}\).

An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status (Bajpai, 2001)\(^\text{14}\). According to Infosys founder, NarayanaMurthy, ‘social responsibility is to create maximum shareholders value working under the circumstances,

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where it is fair to all its stakeholders, workers, consumers, the community, government and the environment’. Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relation with stakeholders (Bajpai, 2001).

CSR in India has traditionally been seen as a philanthropic activity. In keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India’s freedom movement, and embedded in the idea of trusteeship.

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII, Section 135 of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

1.6. CSR AND SUSTAINABILITY
Sustainability (corporate sustainability) is derived from the concept of sustainable development which is defined by the Brundtland Commission as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship.

CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, much of the Indian practice of CSR is an important component of sustainability or responsible business, which is a larger idea, a fact that is evident from various sustainability frameworks. An interesting case in point is the NVGs for social, environmental and economic responsibilities of business issued by the Ministry of Corporate Affairs in June 2011. Principle eight relating to inclusive development encompasses most of the aspects covered by the CSR clause of the Companies Act, 2013. However, the remaining principles relate to other aspects of the business. The UN Global Compact, a widely used sustainability framework has 10 principles covering social, environmental, human rights and governance issues, and what is described as CSR is implicit rather than explicit in these principles.

Globally, the notion of CSR and sustainability seems to be converging, as is evident from the various definitions of CSR put forth by global organisations. The genesis of this convergence can be observed from the preamble to the recently released draft rules relating to the CSR clause within the Companies Act, 2013 which talks about stakeholders and integrating it with the social, environmental and economic objectives, all of which constitute the idea of a triple bottom line approach. It is also acknowledged in the Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises issued by the DPE in April 201315.

1.7. CSR ACTIVITIES IN ERNAKULAM DISTRICT

Corporates as a responsible citizen has ingrained the philosophy of CSR deeply into its value system. Majority of the public as well as the private companies in Ernakulam district of Kerala State are consistently taking up various community welfare initiatives for the benefit of the society.

In Ernakulam district, several companies have started realizing that it is a rational move to take up CSR activities and integrate it with their business process. In a State having highest literacy, every action of the Corporates are noticed, whether good or bad. As responsible bodies, the companies should feel a sense of duty towards the common welfare of the society and the environment. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the maximization of profit. Companies in and around the city normally conduct or sponsor routine events like health camps, blood donation camps, support a few sick persons, give some scholarships, a few sports events, and impart trainings for some livelihood practices without linking them to further growth in the process of conducting CSR. Some Corporate found to work on disability, some on elderly issues, some work on street children or palliative care. All these are either time bound projects or institution run activities or supports some NGOs. They also meet the deficiencies of Government run schemes or programs with an aim to enhance the quality of the program. Short terms activities are mostly eye-washing efforts by Corporates where sustainable development approaches are usually missed. Government authorities and people’s representatives are mostly invited in such programs to grace the occasions and their visibility in the public are taken care in such a way that the corporate get continuous link which benefits the company in many ways to multiply its profit. The feedback of such programmes is rarely assessed.

Some consumers have become increasingly sensitive to the CSR programs of the firms from which they buy their goods and services. (e.g. the spices and Masala powders of Melam Group of companies is much popular among consumers in Kerala and Gulf countries being they involve much in providing medical treatment to the needy people of the BPL category throughout the State). A minimum percentage of their sales profit are kept aloof for charity purpose, since many years, much before the introduction of Sec 135 of the new Companies Act 2013 which mandates compulsory spending on CSR.
Even though a general trend is very positive, but there are some black spots in implementing CSR activities. Some of the companies, instead of directly engaging themselves with the society engage an NGO/ outside agency for its implementation. The net result is far from satisfactory from the company’s perspective. For eg. the Cochin Shipyard Ltd, engaged an NGO for setting up of solar power plant in a distant backward area. Due to the company’s improper monitoring, after a certain period, the solar power supply project became a failure due to lack of maintenance thereby inviting wrath of the public.

1.8. **NEW CSR RULES (Effective from April 1, 2014)**

The much-awaited rules for the new ‘corporate social responsibility’ (CSR) regime were notified, under which companies with sizable businesses would need to spend a minimum 2 per cent of net profit for the benefit of the society. The CSR activities will have to be within India, and the new rules will also apply to foreign companies registered here. However, funds given to political parties and the money spent for the benefit of the company’s own employees (and their families) will not count as CSR. Listing out the permitted CSR activities in Annexure VII of the new companies Act, that they needed to be undertaken as per approval of the company’s board in accordance with its CSR Policy and the decision of its CSR Committee. The CSR rules of the new Companies Act had been followed since April 1, 2014. This will apply to companies having with at least Rs.5 crore net profits, or Rs.1, 000 crore turnovers or Rs.500 crore net worth. Such companies will mandatorily need to spend 2 per cent of their three-year average annual net profit on CSR activities in each financial year. A wide range of activities, including livelihood enhancement projects and steps for the benefit of armed forces veterans have been brought under the CSR ambit. When it comes to having manpower for CSR works, the government has stipulated that companies can spend only up to 5 per cent of total CSR expenditure for them in a single financial year. This would be applicable for own personnel as well as those of their implementing agencies. Among other activities, livelihood enhancement and rural development projects, promoting preventive health care and sanitation as well as making safe drinking water available would be considered as CSR activities.

1.9. **NEED FOR THE STUDY**

The adoption of CSR is caused by four important reasons. Firstly, the economies of countries are changing rapidly and their organisations have profit making growth market for their operational activities. Secondly, these countries have significant social and environmental
problems that may include wars, disasters and political instability. Thirdly, developing nations will be forced to adopt CSR practices. In developing countries, CSR programs and challenges are different from those in developed countries. The developing countries prioritize the political governance whereas the developed countries prioritize the strategic Philanthropy.

Nowadays, the purpose of implementation of CSR, CSR initiatives, CSR activities and mix of CSR dimensions by the Indian companies are slowly changing towards the trend in Western Countries. The companies in India are moving from the classical view to modern view on CSR. It reveals the win-win strategic CSR for both the companies and society. It is imperative to examine the rate of implementation of CSR at the public and private sector companies, and also the impact of implementation of CSR on the organisational effectiveness and firm's performance. Hence, the present study has made an attempt to take this issue at the Ernakulam district, which is the industrial capital of Kerala. Moreover Ernakulam have the potential and is being developed as a metropolitan city. The corporate both in public and private sectors can definitely contribute more to the society like public amenities, pollution control, concept of clean green city etc.

1.10. STATEMENT OF THE PROBLEM

Many companies in India think that corporate social responsibility is a peripheral issue for their business. They failed to observe the important changes in the corporate world. The change is named as social responsibility. The important driver of CSR at the corporate is Philanthropy and sense of ethics. Only out of pressure from the external forces, the Indian corporate are taking the CSR initiatives. The challenges faced in taking of CSR activities are lack of community participation, issues of transparency, capacity building, non-availability of well organized non-governmental organisation, lack of communication on the role of media in highlighting the good cases of successful CSR initiatives, narrow perception on CSR initiatives, non-availability of clear CSR guidelines and lack of consensus on implementing CSR issues. In India, the public sector companies can spend up to 5 per cent of their profits on CSR activities whereas the private sector companies, it varies as per the motive for launching CSR.
In the present corporate scenario, the government demands for great disclosure. Increased customers’ interest, growing investors’ pressure, competitive labour markets and suppliers’ relations are forcing the corporate to implement the CSR (Gupta, 2007). Most of the corporate feel that the investment on CSR is the additional cost to the companies (Raman, 2006) and they are considering the social cost and social benefit provided by the company (Sandhya, 2006).

1.11. REVIEW OF PREVIOUS STUDIES

Daniel et al., (2014) found that frontline employees identify with the organization and with customers as a function of how much the employees perceive management and customers to support the company’s CSR activities. However, these respective effects are stronger among the employees for whom CSR is already tied to their sense of self.

Mohin (2014) cited the use of CSR as a means to enhance employee performance as a major trend, and to deliver superior client service.

Fombelle et al., (2014) forward that to the degree an organisation is successful at unifying members under a common identity, the individual members may identify it with the organisation itself.

Gundlach and Wilbie (2014)\textsuperscript{22} stated that the CSR activity of the company can lead their frontline employees to be customer oriented and perform well on the job.


Christian et al., (2013) revealed the positive effects of two facts of suppliers’ CSR efforts on customers’ loyalty through distinct mechanisms. Business practice CSR fosters companies trust whereas philanthropic CSR strengthens customer company identification.

Magali et al., (2013) found that two distinct factors of corporate environmental performance factors namely environmental process and practices implemented by the firms and the environmental outcome the company generated explain the variation in the company’s performance to an extent of 80 per cent.

Chin et al., (2013) revealed the influence of the CEO’s political ideology especially political conservatism vs. liberalism has a significant influence on the implementation of firm’s corporate social responsibility practices.

Chun et al., (2014) concluded that the corporate social responsibility has a significant positive effect on corporate image, service quality, and purchase intention. The corporate image has a mediating effect between corporate social responsibility and purchase intention; as well as between service quality and purchase intention.


Rego et al., (2014)\textsuperscript{27} revealed that the corporate responsibility is essential for the companies to generate employment, profit and growth of the companies.

Lin (2014)\textsuperscript{28} mentioned that Philanthropic responsibility is corporate activities beyond economic, legal and ethical norms. It is the active and proactive giving back to society for the improvement of the overall quality of life, support of national policy, and the creation of a harmonious society.

Chiu (2014)\textsuperscript{29} pointed out that if consumers have a high degree of perception on CSR, they would have higher perceived service quality as well as higher intentions.

Singh (2010)\textsuperscript{30} mentioned the impact of implementation of corporate social responsibility (CSR) on the organisational performance. He found that there is a significant positive impact of CSR on brand image and reputation, sales, customer loyalty, productivity and quality, attraction and retention of employees; and reduction of regulatory oversight.

Athreya (2009)\textsuperscript{31} found that the implementation of CSR have a significant impact of inclusive growth of the corporate especially in the case of corporate image and profitability.


Gupta and Sharma (2009)\textsuperscript{32} revealed that the corporate are viewing the CSR as the new way look at the relationship between business and society. The way forward is grounding CSR in the values, purpose and strategy of the business and treating it in entrepreneurial fashion.

Cochran (2007)\textsuperscript{33} found that the implementation of CSR at the corporate lead to an excellent customer experience. Customers who are delighted are likely to repeat its relation with the corporate.

Joseph (2009)\textsuperscript{34} pointed out the successful examples of corporate social responsibility in India. One of the successful corporate is Birla Group of Companies. Their CSR activities in medicine and education create an image on that Company.

Norwal and Sharma (2008)\textsuperscript{35} mentioned that the implementation of CSR lead to the development of a collaborative strategy for economic growth in a developing countries. It leads to an understanding between the society and corporate which result in the benefit of both parties.

Friedman and Friedman (2008)\textsuperscript{36} stated that IT technology also plays a role in enhancing the CSR activities of organisation. To make computers accessible to the blind and the visually impaired there is a huge amount of available software likewise recognition software, screen magnifies and speech synthesizers.

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\item \textsuperscript{36} Friedman, H.H. and Friedman, L.W., (2008), “The role of information technology in corporate social responsibility”, North East Decision Sciences Institute Proceedings, pp.234-239.
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Ahmad (2013) revealed that several companies in India involved in diverse issues such as health care, education, rural development, sanitation, micro credit and women empowerment under the banner of CSR. It seems that CSR in India has been evolving in domain of profit distribution.

Besad (2011) identified the issues and challenges of implementation of CSR in India. These are lack of community participation in CSR activities, issues of transparency, non-availability of well organized NGOs, narrow perception towards CSR initiatives, non-availability of clear CSR guidelines and lack of consensus on implementing CSR issues.

Durate and Rahman (2011) revealed that there is a significant level of awareness among the Bangladesh Managers regarding key CSR concepts, including triple bottom line; sustainable development; accountability; and the close relationship between business and society. Some managers viewed that the notions of CSR and Philanthropy are synonymous with each other.

Mamum and Ahmad (2009) drew attention to the contextual nature of CSR performance in both public and private sector that is, the level of CSR engagement varies according to factors such as nature and size of business; ownership patterns; commitment by leadership; legal obligation; national culture and stakeholders’ pressures.

Naeem and Welford (2009)\textsuperscript{41} found that despite significant differences between local listed companies and multinational corporations, only a few of the companies surveyed, seemed to have policies on ‘gender issues’, the formal representation of workers, revenue distribution to local communities and eliminating child labour along supply chains.

Mishra and Suar (2010)\textsuperscript{42} found that the controlling and confounding effects of stock-listing, ownership, and firm size, a favourable perception of managers towards CSR is found to be associated with increase in financial and non-financial performance of the firms.

Sen et al., (2006)\textsuperscript{43} revealed that the bonds of identification encourage positive evaluations of a firm’s products, and reap value addition through customer loyalty, advocacy, positive words of mouth, and resilience to negative brand information.

Leff (2004)\textsuperscript{44} mentioned that Indian Companies have successfully integrated various CSR issues related to employees such as work place safety and benefits plans into companies’ functions that ultimately reward them by enhancing their profitability and competitive position.

Karan and Venkat (2007)\textsuperscript{45} found that the corporate social responsibility have a significant impact on brand community except shared culture. Brand community was

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significantly higher in the high corporate social responsibility cells as compared to the low corporate social responsibility cells.

Biehal and Sheinin (2007)\textsuperscript{46} found that corporate message transferred more than a product message into other products in the company’s portfolio. Moreover, a corporate ability message transferred more to the portfolio than did a corporate social responsibility message.

Sergio et al., (2008)\textsuperscript{47} showed that corporate social responsibility influences consumer trust and that trust in turn influences consumers’ subsequent actions. The findings suggested that intermediate variables between corporate social performance and corporate financial performance may best support a business case for CSR.

Bhattacharya and Sen (2004)\textsuperscript{48} revealed that CSR policies impact consumer’ purchasing intentions, only indirectly by creating a general context for their evaluation. Consumer reactions to CSR are not straight forward and evident as the market place polls suggest.

Pigott (2004)\textsuperscript{49} suggested a positive correlation between a company’s corporate social performance and consumer behaviour towards that company and its products.

Smith (2003)\textsuperscript{50} mentioned that the socially oriented companies should be able to distinguish themselves from competitors, enhance customer satisfaction and improve their reputation through positive stakeholder response to their actions.

\begin{enumerate}
\end{enumerate}
Rowe (2006)\textsuperscript{51} identified that the social reporting is concerned with the larger process of building corporate reputation and creating value of the corporation.

Mohan (2001)\textsuperscript{52} mentioned that CSR in India has been dominated by a philanthropic approach consistent with the long-standing tradition of close business involvement in social development needs.

Balasubramanian et al., (2005)\textsuperscript{53} noted that Indian CSR is now an important part of the movement away from rapid-growth, export oriented, cost advantages-focused strategies to longer-term, business development initiatives.

Jose et al., (2013)\textsuperscript{54} revealed that in the Indian IT sector, despite remarkable achievements on the economic front, several issues on the social and environmental fronts still remain unresolved.


Ghuman (2013)\textsuperscript{55} revealed that the clause 135 relating to CSR is a very significant feature of the Companies Act, 2013, and it will prove to be a milestone in the growth story of India. The main features regarding CSR were discussed in detail in the introductory part of the article. The author observed that CSR’s contribution will be in billions of rupees, and if invested properly, it shall certainly generate formidable results and have a significant positive impact for the society.

Maria (2013)\textsuperscript{56} raised doubts about the legitimacy of spending of two per cent of companies’ profits on CSR and expressed the apprehension that the politicians may persuade the corporates to divert these funds towards their corpuses and desired causes. He observed that the innovation of new institutions in the field of economy, polity, environment and knowledge has increased the level of awareness of the society, and this has forced the policy makers to bring such innovative changes in the domain of governance. He concluded that the mandatory CSR spending is both meager and one whose time has passed.

Venkatesan (2013)\textsuperscript{57} argued that the legislative intervention regarding CSR is desirable, but the problem with the bill is that it does not seek to change the corporate behaviour and make business operations ethically, socially and environmentally responsible. The researcher was of the view that this provision is ingenious as it tries to bridge the gap between the socialist ideology of the constitution and the free make reality of today. In the concluding observations, it was suggested that the bill may have done well to mandate the two per cent CSR spending towards implementing or furthering the 2009 voluntary guidelines as these guidelines cover all companies irrespective of their profit and turnover, which could help in spending more money for social causes.


\textsuperscript{56} Maria, A. (2013). India's 2 % CSR Law - The first country to go backwards. \textit{Economic and Political weekly}, 48 (38), 23-25.

Kothari (2013)\textsuperscript{58} observed that Indian policy planners are facing difficulties in integrating environmental sustainability in economic planning due to its stubborn adherence to the model of economic development in the neo-liberal regime, which is fundamentally unsustainable and inequitable. India has already initiated many programmes to implement the theme of sustainable and inclusive development. He concluded that it is the beginning which will be manifested in the future in the 13\textsuperscript{th} Five-Year Plan and could bind together the objective of sustainable development.

Goswami (2012)\textsuperscript{59} analyzed that the inadequate budgetary provisions for the social sector investments are a matter of concern. There is a steady increase in the social sector allocation, which is below 2 per cent. It was observed that if India wants to attain the benefits of ‘demographic dividends’, then it has to invest much in the social sector. In the concluding observation, it was suggested that investing in the social sector segments like health and education is the key to the growth as an educated and healthy population will be instrumental in attaining the goal of faster, sustainable and more inclusive growth.

Yadav and Khanderia (2012)\textsuperscript{60} said that India being a democratic polity is committed to the welfare of the people and the contribution of the public sector is significant in CSR initiatives as compared to the private sector. The corporate sector has to integrate the concept of CSR in their mission, vision, strategy, goal, actions and decisions for sustainable and robust economic growth. The integration of social and environmental concerns in the strategic operation is also significant for the development and sustainability of corporations also.

Kumar (2012)\textsuperscript{61} argued that the world is passing through the stage of economic slowdown due to the ethical deficit. The author was of the view that due to the erosion of

\textsuperscript{58} Kothari, A., (2013), Integrating sustainability in Indian planning, \textit{Yojana}, 57 (June 13), pp.5-10.


wisdom, ethics, morality and values, the corporate sector is grappling with the problem of governance deficit. CSR has four dimensions, that is, economic, social environmental, and ethical, and it has been concluded that there is a positive and progressive correlation in ethics-corporate culture-corporate social responsibility-good corporate governance, and this equation can be instrumental in providing competitive gain and sustainability to business in the present turbulent global scenario.

Khandelwal and Mohendra (2010)\textsuperscript{62} investigated how sharing of organizational values will make employees feel more loyal, committed, and they would like to stay for more time in the organization. The main objective of the research work was to investigate and assess the employees’ awareness and understandings of core values, vision, and CSR. The findings of the research work suggest that CSR has the potential to become a product or service strategy designed to sustain a competitive edge. The study also recommended that the organization’s strategy on CSR must be in line with core competence and companies should invest in CSR as a part of business strategy to become more competitive.

Sarkar (2008)\textsuperscript{63} delineated that a paradigm shift has occurred in the realm of social work towards corporate social responsibility. Over the past many years, the history of business has witnessed a major transformation in defining human beings in the context of business from human resource to human capital, the corporations are restructuring their roles in revitalizing their human resources alongside taking care of the vast external stakeholders through the new slogan of corporate social responsibility, CSR is the new mantra which says that greed is out, and a new corporate virtue is in.

\begin{itemize}
\end{itemize}
Morf et al., (2014)\(^{64}\) pointed out that there is a positive correlation between the social responsibility and corporate image.

Fornbrun and Stanely (2014)\(^{65}\) found that the CSR has an external effect on organisational reputation, helping the organisational project positive images to external groups.

Lichtenstein et al., (2014)\(^{66}\) found that implementing CSR activities can bring good results to corporations such as improving consumer views and purchasing behaviour for corporations.

Kolkailah et al., (2012)\(^{67}\) found that consumers in Egypt tend to develop positive attitude towards socially responsible companies.

Lin (2014)\(^{68}\) pointed out that when service quality increases, it not only enhances corporate image but also enhances customer satisfaction and loyalty.


1.12. RESEARCH GAP

Even though, the studies related to the CSR implementation, drivers and barriers and the consequences of CSR implementation at the corporates and other industries in the level of whole of India, there is no exclusive study on the CSR at the corporates in Ernakulam district, Kerala. The present study has made an attempt to fill up the research gap with the help of proposed research model.

1.13. PROPOSED RESEARCH MODEL

The proposed research model is the study is given below:
1.14. **OBJECTIVES OF THE PRESENT STUDY**

The objectives of the present study confine:

1) To study the profile of the companies;
2) To study the prioritization, area addressed, drivers and CSR activities taken by the companies;
3) To measure the rate of implementation of CSR dimensions at the companies;
4) To exhibit the level of consequences of the implementation of CSR at the companies;
5) To examine the impact of drivers and barriers on the rate of implementation of CSR in companies; and
6) To evaluate the impact of implementation of CSR dimensions and activities on the level of organisational effectiveness and the firms' performance.

1.15. **HYPOTHESES OF THE STUDY**

Based on the objectives of the study, the hypotheses drawn for the present study are:

1) There is no significant difference among the public and private sector companies regarding various aspects related to CSR in companies.
2) There is no association between the profile of companies and the level of implementation of CSR, barriers in implementation of CSR and the consequences of CSR.
3) There is no significant influence of drivers and barriers on the rate of implementation of CSR at the companies; and
4) There is no significant impact of implementation of CSR on the level of organizational effectiveness and level of firm’s performance.
1.16. RESEARCH METHODOLOGY

Research Methodology is the scientific and systematic way of solving the research problem (Malhotra, 1992). It is a blue point of the way in which the research is going to be conducted (Thomas, 1994). In general, the methodology states with research design and ends with the limitations (Ralph and Segal, 1994). In the present study, the methodology includes the research design, description of the study area, sampling procedure, collection of data, framework of analysis and limitations.

1.16.1. Research Design of the Study

The research design is the overall plan or program of research (Tom, 1997). It is the arrangement of conditions for collection and analysis of data in a prescribed manner. The research design reveals the conceptual structure within which the research is to be conducted (David, 1996). The present study applies the descriptive research design since it has its own confined objectives and predetermined methodology. Apart from this, this study explains the implementation of CSR, drivers of the CSR implementation, barriers of implementation of CSR and the consequences of CSR implementation, it is descriptive in nature.


1.16.2. Profile of Study Area - Ernakulam District

Ernakulam District is a district of the state of Kerala in southern India. The district includes the largest metropolitan region of the state Greater Cochin. Ernakulam District is the highest revenue yielding district in the state and is called and known as the commercial capital of Kerala. It is the third most populous district in Kerala, after Malappuram and Thiruvananthapuram. Ernakulam district also hosts the highest number of international and domestic tourists in Kerala state. It is surrounded by Thrissur District to the north, Idukki District to the east, Alappuzha and Kottayam districts to the South and Arabian Sea to West. Its headquarters is located at Kakkanad, a suburb of Kochi city. The language people speak in Ernakulam is Malayalam which is the mother-tongue of the State of Kerala. English is widely used in business circles.

1.16.2.1. Location & Geographical Area

The borders of the district are the Arabian Sea in the West, Thrissur District in the North, Idukki District in the East and Alappuzha and Kottayam District in the South. Ernakulam district covers an area of 305826 hectare located on the Western Coastal Plains of India. The Periyar River, Kerala's second longest, flows through all the taluks except Muvattupuzha. The Muvattupuzha River and a branch of Chalakkudy River also flow through the district. The district has a moderate climate, and mostly falls within the Malabar Coast moist forests eco region, while the highlands are part of the South Western Ghats moist deciduous forests eco region. Cochin International air port is located in northern part of the district at Nedumbasseri village in Angamaly. Owing to the international airport, water ways, railways, and road ways, Ernakulam is one of the most connected districts in the state.

1.16.2.2. Topography

The district is divided into three well-defined parts – lowland, midland and the highland consisting of seaboard, plains and the hills and forests respectively. 20 per cent of the total area is low land region. The midland consists mainly of plain land and group of islands having natural facilities of drainage via backwaters and canals. The hilly or eastern portion is formed by a section of Western Ghats. Muvattupuzha and Kothamangalm can be called the highlands.
Muvattupuzha and Periyar are the main rivers of which the latter flows through Thodupuzha, Muvattupuzha, Aluva, Kunnathunadu and Parur taluks. During rainy season these rivers are full and heavy floods affect the low-lying areas on the banks, but in the summer season they generally go dry and narrow. The Periyar is stretched over a length of 229 km.

1.16.2.3. **Administrative Set Up**

Ernakulam district has 2 revenue divisions namely Fort Kochi and Muvattupuzha. There are 7 taluks and 124 villages. The 7 administrative taluks in Ernakulam are Aluva, Kunnathunadu, Kochi, Kanayannur, Kothamangalam, Muvattupuzha and Paravoor. The headquarters of Ernakulam is at Kakkanad. Kochi in Ernakulam is a Municipal Corporation and there are 11 Municipalities namely Aluva, Angamaly, Kalamassery, Kothamangalam, Muvattupuzha, North Paravoor, Maradu, Perumbavoor, Thrikkakara, Thripunithura and Eloor. In Ernakulam there are 14 Development Blocks and 88 Panchayats.

1.16.3. **Large Scale Industries / Public Sector Undertakings**

List of the units in Ernakulam District and nearby area

1. Fertilizers And Chemicals Travancore Ltd
2. Indian Rare Earth Ltd
3. Hindustan Insecticide Ltd.
4. HMT Machine Tools Ltd
5. Travancore Cochin Chemicals Ltd.
6. Bharat Petroleum Corporation Ltd. - Kochi Refineries
7. Hindustan Petroleum Company Ltd.
8. Hindustan Organic Chemicals Ltd.
9. Cochin Shipyards Ltd.
10. Transformers and Electricals Kerala Ltd.
11. Kerala Electricals and Allied Engineering Company Ltd.
12. HINDALCO Industries Ltd.
13. BSES Kerala Power Ltd.
14. Forest Industries Travancore Ltd.
15. Apollo Tyres Ltd.
16. OEN India Ltd.
17. Cochin Minerals and Rutiles Ltd.
18. Philips Carbon Black Ltd.
19. Synthetic Industries Ltd.
20. V Guard Industries Ltd.
21. Carborandum Universals Ltd.
22. KITEX Garments Ltd.
23. Sree Sakthi Paper Mills Ltd
24. Petronet CCk Ltd.
25. Kerala Agro Machinery Corporation Ltd.
26. Binani Zinc Ltd.

1.16.4. Medium Scale Enterprises/Private sector Units in Ernakulam District & near by Area

1. India Gate Way Terminal Pvt. Ltd
2. Sud- Chemie Pvt. Ltd.
3. Dathri Aurveda Pvt. Ltd.
4. Eastern Condiments Pvt. Ltd.
5. Anna Aluminum Company Pvt. Ltd.
6. Plant Lipids Pvt. Ltd.
7. National Paint Factories India Pvt. Ltd.
8. PEEVEES Plywoods Pvt. Ltd.
10. MVJ Foods India Pvt. Ltd.
11. AVT Mc cormic Ingredients Pvt. Ltd.
12. Pavizham Healthier Deit Pvt Ltd.
13. Aqua Sea Food India Pvt. Ltd
15. Muthoot Finance Pvt. Ltd.
16. Green Valley Beverages India Pvt Ltd.
1.16.5. Number of Registered Companies in Kerala State

The Kerala State consists of fourteen districts. The companies registered in Kerala State are classified into public and private sector companies. The distribution of the companies at various districts of Kerala is given in Table 1.1.

**TABLE 1.1**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>District</th>
<th>Number of Companies in Public Sector</th>
<th>Number of Companies in Private Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Alappuzha</td>
<td>78</td>
<td>400</td>
<td>478</td>
</tr>
<tr>
<td>2.</td>
<td>Cannanore</td>
<td>36</td>
<td>319</td>
<td>355</td>
</tr>
<tr>
<td>3.</td>
<td>Ernakulam</td>
<td>551</td>
<td>5145</td>
<td>5696</td>
</tr>
<tr>
<td>4.</td>
<td>Kottayam</td>
<td>116</td>
<td>818</td>
<td>934</td>
</tr>
<tr>
<td>5.</td>
<td>Kozhikode</td>
<td>82</td>
<td>899</td>
<td>981</td>
</tr>
<tr>
<td>6.</td>
<td>Malapuram</td>
<td>37</td>
<td>348</td>
<td>385</td>
</tr>
<tr>
<td>7.</td>
<td>Palakkad</td>
<td>56</td>
<td>605</td>
<td>661</td>
</tr>
<tr>
<td>8.</td>
<td>Kollam</td>
<td>40</td>
<td>335</td>
<td>375</td>
</tr>
<tr>
<td>9.</td>
<td>Trichur</td>
<td>240</td>
<td>2178</td>
<td>2418</td>
</tr>
<tr>
<td>10.</td>
<td>Trivandrum</td>
<td>147</td>
<td>1803</td>
<td>1950</td>
</tr>
<tr>
<td>11.</td>
<td>Idukki</td>
<td>14</td>
<td>173</td>
<td>187</td>
</tr>
<tr>
<td>12.</td>
<td>Wayanad</td>
<td>13</td>
<td>90</td>
<td>103</td>
</tr>
<tr>
<td>13.</td>
<td>Pathanammitta</td>
<td>24</td>
<td>230</td>
<td>254</td>
</tr>
<tr>
<td>14.</td>
<td>Kasargod</td>
<td>24</td>
<td>128</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1458</strong></td>
<td><strong>13471</strong></td>
<td><strong>14929</strong></td>
</tr>
</tbody>
</table>

Source: http://novkerala.nic.in/about.1.htm.

A maximum of 5696 units are registered in Ernakulam district which is followed by Trichur and Trivandrum district which consists of 2418 and 1950 units respectively. Out of 14929 units, the private, sector units constitute 90.23 per cent to the total.

1.16.6. Sampling Framework of the Study
The included population of the study is the total registered companies in Ernakulam district since it constitutes 38.15 per cent to the total. The sample size of the study was determined with the help of formula. \( n = \frac{N}{Ne^2 + 1} \). In the present study, the \( N=5696 \); and \( e=0.03 \). The sample size came to 930 units. The sampled 930 units are distributed among the population on the basis of proportion of public and private sector units respectively. The distributed samples were selected from the population on the basis of random. Hence, the applied sampling procedure in the present study is stratified proportionate random sampling. The samples and the responded samples are shown in Table 1.2.

**TABLE 1.2**

**Sampled Companies**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Sector</th>
<th>Total Number of Sample selected</th>
<th>Responded Units in</th>
<th>Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public</td>
<td>90</td>
<td>1 attempt 36</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>840</td>
<td>2 attempt 37</td>
<td>416</td>
</tr>
<tr>
<td>1.</td>
<td>Private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td>930</td>
<td>2 attempt 282</td>
<td>489</td>
</tr>
</tbody>
</table>

Out of 930 units, the public and private units are 90 and 840 respectively. The responded units to the Questionnaire at the first attempt are 36 and 171 public and private units respectively. At the second attempt, the responded units are 37 and 245 units respectively. The total responded public and private sector units are 73 and 416 units respectively. Hence the response rate on the questionnaire in public and private sector are 81.11 and 49.52 per cent to its total of 90 and 840 respectively.
1.16.7. Data Collection

The required data to fulfill the objectives of the study were collected with the help of structured questionnaire. A special care was taken to design the questionnaire. The questionnaire was divided into four parts. The first part of the questionnaire covers of the profile of the companies whereas the second part of the questionnaire includes the various aspects related to CSR namely prioritization, area addressed, drivers and CSR activities taken by the companies. The third part of the questionnaire covers the implementation of various CSR dimensions and the barriers to implement the CSR by the companies. The final part of the questionnaire focuses on the various consequences of the implementation of CSR namely organisational effectiveness and firm’s performance.

The variables related to the above said aspects in CSR were drawn from the reviews of previous studies and the experts in the field. A pilot study was conducted among 10 each public and private sector companies at Ernakulam city. Based on the feedback, certain modifications, additions, simplifications and deletions were carried out. The final draft of the questionnaire was prepared to collect the data from the companies.

1.16.8. Framework of Analysis

In order to analyze the data collected from the customers, the appropriate statistical tools have been selected on the basis of the objectives of the study and the nature of data. The included statistical analyses are given below:

1.16.8.1. Exploratory Factor Analysis

Exploratory factor analysis identifies common dimensions of factors from the observed variables that link together the seemingly unrelated variables and provides insight into the underlying structure of the data. Varimax rotation is one of the most popular methods used in the study to simplify the factor structure by maximizing the variance of a column of the pattern
matrix. The common factors themselves are expressed as linear combinations of the observed variables (Nalini\textsuperscript{74}, 2006)

**Factor Model**

$$\text{Factor Score} = W_{i1}X_1 + W_{i2}X_2 + \ldots + W_{ik}X_k$$

Where

- $F_i =$ Estimate of $i^{th}$ factor
- $W_i =$ Weight or factor score coefficient
- $X_i =$ Variables included
- $K =$ Number of variables included

In the study, factor analysis has been applied to narrate the variables into the important factors related to drivers, barriers, activities and consequences of CSR implemented at the companies.

**1.16.8.2. Confirmatory Factor Analysis (CFA)**

The confirmatory factor analysis has been used to analyze the reliability and validity of the variables included in each factor. The convergent-validity of the factor is assessed by three measures: item reliability, construct (composite) reliability and average variance extracted (Fornell and Larcker, 1981)\textsuperscript{75}. Items validity is evaluated by the size of the standardized factor loading of the variables on their corresponding factors. The loading should be at least 0.60 and ideally at 0.7 or above (Chin, 1998)\textsuperscript{76}. Composite reliability is assessed on the basis of internal consistency. It is similar to Cronbach alpha. The minimum acceptable level of composite reliability is 0.5 (Gerbing and Anderson, 1980)\textsuperscript{77}. The convergent validity is assessed with the


help of AVE which is at least 0.50 (Fornell and Lancher, 1981) and the significance of ‘t’ statistics of the standardized factor loading of the variables in each construct.

In the present study, the CFA has been used to analyze the validity and reliability of variables included in various concepts generated to study the CSR at the companies.

1.16.8.3. Two Group Discriminant Analysis

Discriminant analysis is a technique for analysis of data when the dependent variable is categorical and the independent variables are interval in nature. When the dependent variable has two categories, the technique is known as two-group discriminant analysis. When three or more categories are involved, the technique is referred to as multiple discriminant analysis (Malhotra, 2003). The discriminant analysis model involves linear combinations of the following form:

\[ Z = b_0 + b_1X_1 + b_2X_2 + \ldots + b_nX_n \]

Where

- \( Z \) = Discriminant score
- \( b_n \) = Discriminant co-efficient on weight
- \( X \) = Discriminant variables
- \( b_0 \) = Constant

The Wilk’s Lambda is calculated as a multi variant measure of group difference over discriminating

---


variables. (Shajahan, 2005\textsuperscript{79}). The relative discriminating power of variables is calculated by

\[ I_j = K_j(X_{j1} - X_{j2}) \]

Where

- \( I_j \) = The important value of the \( j^{th} \) variable
- \( K_j \) = Unstandardized discriminant co-efficient for the \( j^{th} \) variable
- \( X_{jk} \) = Mean of the \( j^{th} \) variable for the \( k^{th} \) group

The relative importance of a variable \( R_j \) is given by

\[ R_j = \frac{I_j}{\sum_{j=1}^{n} I_j} \]

In the study, two group discriminant analyses is used to find out important discriminant drivers, barriers, activities, dimensions and consequences of CSR implemented in public and private sector companies.

**1.16.8.4. Reliability test**

The reliability of the variables included in each construct has been tested with the help of Cronbach alpha. The minimum threshold of Cronbach alpha is 0.60 (Nunnally, 1978\textsuperscript{80}). In the present study, the Cronbach alpha has been computed to test the reliability of variables in each construct related to CSR.

**1.16.8.5. Multiple Regression Analysis**

When a variable is dependent on more than one independent variable, one analysis will not reveal the relationship. For this purpose, the multiple regression analysis is administered. The cause and effect relationship between dependent and independent variables are carried out by the multiple regression analysis. The general form of the regression model is:


\[ Y = a + b_1X_1 + b_2X_2 + \ldots + b_nX_n + e \]

Where

- \( Y \) = Dependent variable
- \( X_1, X_2, \ldots, X_n \) = Independent Variables
- \( b_1, b_2, \ldots, b_n \) = Regression co-efficient of independent variables
- \( a \) = Constant and
- \( e \) = error term

In the study, the multiple regression analysis has been used to find out

1. The impact of drivers and barriers on the rate of implementation of CSR at the companies; and
2. The impact of implementation of CSR activities and CSR dimensions on the organisational effectiveness and firms’ performance at the companies.

1.6.8.6. One way Analysis of Variance

One way analysis of variance is used for examining the differences in the mean value of the dependent variable associated with the effect of the controlled independent variables, after taking into account the influence of the uncontrolled independent variables. One way analysis of variance involves only one dependent variable or a single factor. The null hypothesis may be tested by the F statistics based on the ratio between these two estimates.

\[
F = \frac{SS_x / (c - 1)}{SS_{error} / (N - c)} = \frac{MS_x}{MS_{error}}
\]

\[ where \ SS_x = \sum_{j=1}^{c} n \left( \bar{Y}_j - \bar{Y} \right)^2 \]

\[ where \ SS_{error} = \sum_{j=1}^{c} \sum_{j=1}^{n} \left( \bar{Y}_j - \bar{Y} \right)^2 \]

\( Y_j \) = Individual observation

\( Y_j \) = Mean for category (j)
Y = Mean over the whole sample, or grand mean

\( Y_{ij} = i^{th} \) observation in the \( j^{th} \) category

C = Number of independent variables or groups

N = Total sample size (n x c)

The 'F' statistics follows the F distribution, with c-1 and N-c degree of freedom.

In the study, the one-way analysis of variance has been administered to find out the association between the profile of companies and their view on drivers, barriers, areas addressed in CSR, CSR activities implemented, CSR dimensions implemented and the consequences of CSR at the companies.

1.16.9. Limitations of the Study

The present study is subjected with the following limitations.

1. The scope of the study is confined only to registered companies at Registrar of Companies in Ernakulam District;

2. The companies are purposively classified into public and private sector companies;

3. The present study collects the data from the companies whereas it is considered the person who responded the questionnaire.

4. Only few aspects in CSR like drivers, barriers, activities, dimensions and consequences of CSR (organisational effectiveness and performance) are included for the study to fulfill the objectives of the study.

5. The variables related to the concepts generated for the study are drawn from the review of previous studies;

6. There is an assumption of linear relationship between the dependent and independent variables.

7. The present study is focusing on the mediator role of CSR in various aspects in the companies.

1.17. CHAPTERISATION OF THE STUDY

The present study is classified into six chapters for a neat and clear presentation.