# CHAPTER-II
**REVIEW OF RELATED LITERATURE**

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CHAPTER-II

REVIEW OF RELATED LITERATURE

INTRODUCTION

With many Corporations becoming increasingly socially ‘conscious’, there has been a spurt in literature in recent times on Corporate Social Responsibility (CSR). Various aspects of CSR have been reviewed, including the rationale for CSR, the stakeholder view of CSR amongst other theories, the reasons for the success and failure of CSR, the relationship between CSR and the firm’s financial performance. Both qualitative and empirical papers were part of the review. This review furthers the belief of the growing importance of CSR globally.

Abagail and Donald (2001)\(^{(3)}\) defines, “CSR as an action that appears to further some social good, beyond the interests of the firm and that which is required by law”. However, it included constructs like Corporate Social Performance (CSP), or corporate citizenship which are closely related or share a similar meaning.

Kotler and Nancy (2004)\(^{(4)}\) explains “CSR as a commitment to improve community well being through discretionary business practices and contributions of corporate resources”.

Campbell’s Cry (2007)\(^{(5)}\) says that not much attention had been paid to understand the reasons for firms acting or not acting in ways that were socially responsible highlighting the paucity of research work done in the field of Corporate Social Responsibility (CSR), particularly its motives. In the light of this statement; it is important to note that in the last two years, top business ethics and corporate governance journals have given ample attention to CSR. Besides, strategy and


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management journals have now started to give CSR its due. Their present work was a literature review of this very theme. The aim was to analyze this dominant theme of CSR in the recent literature, bringing out the various facets that these research papers elicit.

2.1 STUDIES ON THE RATIONALE FOR CSR

Referring to Davis (1973)\(^6\), he outlines the possible motives like long-run self-interest, public image, the institutional viability of business, avoidance of regulation, Socio cultural norms, stockholder’s interests, problems can become profits, and business has the resources. They mention instrumental, institutional and moral motives as possible motivations for social initiatives. Exploring this, the authors conducted a questionnaire-based survey effectively using likert scales to question the top and second level executives of 500 Norwegian companies with over 50 employees. They performed principal component factor analysis to benefit the society in some way. Amongst the factors explored, improvement of image and be recognition for moral leadership, emerged as the dominant motives along with long term company interests and the stakeholder expectations. The latent factors or broad classifications were summarized up as legitimacy motives, sustainability motives and profitability motives. The first category was consistent across all industries. Thus, an empirical support was provided for theoretically classifying the motives of social initiatives as given in literature.

Maclagan (1999)\(^7\) argues that CSR should be “understood as a process through which individual’s moral values and concerns are articulated”. Also, this process is participative in nature involving all the stakeholders.

Humphreys and Brown (2008)\(^8\) conducted a case study analysis of CSR in a financial institution which they named ‘credit line’. They basically analyze three


narratives: idealism and altruism’, ‘economics and expedience’ and ‘ignorance and cynicism’. The authors conducted 64 formal semi-structured interviews during March 2004 to June 2005. The questions were mainly focused upon what the employees considered to be central and distinctive about credit line, the extent they could define themselves in terms of their employing institution and also how and to what extent they personally commit themselves as far as the CSR of their firm is considered. The authors conclude that despite long-standing commitments to local community, it is only the last 18 months within which the ethical issues started to appear in credit line business processes for most of the employees. Every interviewee accepted the fact that it was the change in the environment that made credit line reactive. Thus, environmental pressures proved to be the motive for CSR here.

Pava (2008)\(^9\) gives arguments in favor of CSR and stresses why CSR should not be abandoned. He argues against Reich’s (2007) view of CSR being of no importance to the corporate, and that all the policies related to CSR should be abandoned and CSR is a total wastage of resources and efforts as it does not generate any returns for the corporations. Contradicting this viewpoint and laying arguments in favor of CSR the author says that CSR is a hard-won social asset and is going to pay the firm in the long run, that CSR has become a necessary tool for the corporations in the recent times and that it enhances transparency, accountability, provides better communication and integrity leading to mutual benefits between society and corporations. Hence, CSR has become a tool for providing competitive advantage to the firms in an era of global economics. Thus he concludes that in this time period books like that of Reich’s can prove to be harmful for the society as well as the businesses.

Lindgreen et al., (2009)\(^{10}\) conducted a thorough study of the question as to why companies engage in corporate responsible activities. They found many reasons for this question: There are many firms that believe that CSR can prove to bring good business to them in the long-run. Some firms are altruistic and still some are strategic,


as engaging in CSR activities will create a competitive advantage for the firm and make it a differentiated company for customers and society at large. So good reputation in public brings more revenues to the firm and thus it is a win-win situation for the company as well as the community.

Hu an Chia-Ching (2009)\(^{(11)}\) have discussed the dimensions of culture as a motivation factor for CSR Collectivism and power distance were the two important dimensions of culture taken up for the study. They applied the Resource Advantages (RA) theory in the retail industry using an embedded single-case design, studying a Taiwan based retailer, President Chain Store Corporation (PCSC) that staffed only locals and was involved in various CSR activities which were environmental, community, charity customer and employee oriented. The author wanted to dig deeper into the way manager’s view on CSR. Set in a Confucian context, and given society with the said cultural dimensions, management view about perceived importance and perceived performance of CSR in comparison to other factors of management were studied. The RA theory states that if a firm has low resources cost relative to others and for this cost if it produces resource value higher in relation to others, then it has a great competitive advantage Vis-avis the competition. Using literature support and 25 semi-structured interview responses 170 factors were identified and grouped into classes based on resources principals providing 44 variables for the survey. The questionnaire-based on 84 responses were used to evaluate perceived importance and perceived performance of CSR. The result provides information that mangers perceive CSR to be higher in performance than importance supporting the instrumental justification and only somewhat the normative justification.

Similarly, Hine and Lutz (2009)\(^{(12)}\) have conducted a study in which they explored the behavior of managers towards the CSR of the company for which they are employees. This was an interpretive article and the study was conducted in UK.


\(^{(12)}\) Hine, J. & Preuss, L. 2009"Society is out there, organization is in here": On the perceptions of corporate social responsibility held by different managerial groups In : Journal of Business Ethics. 88, 2, p. 381-393.
The authors used qualitative data approach to investigate the managers’ perception towards the CSR programs of the corporations they are working with. They conducted interviews of 27 managers from nine companies for the period August 2005 to February 2007. The results of the study indicate that though the managers regard CSR as a positive development for their corporation, all the resource made available for CSR were employed for attaining commercial objectives only.

Ozen and Fatma (2009)(13) studied the reasons why organizations would go beyond opportunistic compliance to be voluntary contributors to the environment, thereby becoming environment citizens. Focusing primarily on the developing countries context, they examine how institutional factor like market orientation, level of industry concentration and organizational identity cause variation in the environment-friendly practices and policies. The authors basing their arguments on the proposed conceptual model opine that in the developing countries context, organizations that are more outward oriented (export led, etc.) than inward oriented are more likely to be Corporate Environmental Citizens (CEC) or more voluntary in such practices beyond their regulatory requirements to gain over the potential customers besides the basic avoidance of sanctions. This is also to be seen when the concentration level of the industry is high. In such a case being CEC would help differentiate and provide visibility thereby enhancing their legitimacy. Going Beyond social pressures, a missionary organization – one that has an organizational identity of ‘modern’ and that desires to be a model a firm tends to adopt CEC behavior to a much larger extent. These adoptions can be regulative, normative or cognitive. The regulative adoption deals with technical precautions being undertaken as enforced by the law Normative adoption deals with technical measures that are non-regulative, structural plus strategic systems and processes, and other external activities derived from obligations towards society and mere professionalization. The cognitive aspect refers to the attitude of the top management toward CEC behavior and activities.

Ligeti and Agnes (2009)\(^{(14)}\) carried out a study of the CSR communication of companies in Hungary. They formed the questionnaire and conducted interviews of the managers. Their findings suggest that these companies engage in CSR activities only to get good relations with authority, to make good public relations or to boost their R&D activities. Hence the corporations in Hungary do not consider CSR as part of their core business but rather it is a separate task for them to increase their short – term profits.

*(Price WaterhouseCoopers)*\(^{(15)}\) Highlights that “Corporate sustainability can be defined as meeting society’s expectation that companies add social, environmental and economic value from their operations, products and services.

**Conclusion**

1. Thus an empirical support was provided for theoretically classifying the motives of social initiative.

2. This process is participative in nature, involving all the stakeholders.

3. Environmental pressures proved to the motive for CSR.

4. CSR has become a tool for providing competitive advantage to the firms in an era of global economics.

5. CSR can prove to bring good business to them in the long-run.

6. Managers regard CSR as a positive development for their corporation.

7. Organizations would go beyond opportunistic compliance to be voluntary contributors to the environment, thereby becoming environment citizens.

8. CSR is not part of their core business but rather it is a separate task for them to increase their short –term profits.

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\(^{(15)}\) (Price WaterhouseCoopers) www.pwc.com, accessed 14 August 2006."
2.2 STUDIES ON THE STAKEHOLDER THEORY ASPECTS OF CSR:

CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. Ethically or responsible means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic and environmental responsibility. The wider aim of social responsibility is to create higher and higher standard of living, while preserving, the profitability of the corporation, for people both within and outside the corporation, says Michael Hopkins (2003) (16) The Planetary Bargain – CSR matters, London, Earth-Scan

Morsing and Majke(2006)(17) view CSR from the stakeholders’ point of view as a moving target and elaborate on how their firm should continuously adapt itself to the changing expectations of stakeholders. They put forward three CSR Communication strategies, Viz., the stakeholder information strategy, the stakeholder response strategy and stakeholder involvement strategy. The first strategy is aimed at keeping the general public informed of what the company is doing and gains some kind of reputation and legitimacy in the society. The second strategy is about how the company integrates the concerns of the stakeholders and how the stakeholders react or respond to corporate actions. As far as the third strategy is concerned, it is a two way symmetric communication in which stakeholders involve, participate and suggest corporate actions. It is basically a relationship building process wherein the stakeholders are directly involved in corporate actions.

Jamali (2008)(18) investigated stakeholder approach to CSR. He reviewed the rationale and outline of how CSR has been incorporated into the empirical studies for which the Ethical Performance Scorecard (EPS) was used. The study was conducted for Lebanese and Syrian firms. In-depth interview of the managers occupying managerial positions were conducted. These interviews were based primarily upon the motive to test the five hypotheses which the authors formed and the results of the

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study indicate that there are many firms which still give importance to the traditional core stakeholders of the company like employees, customers and shareholders. The stakeholder management is thus found to be influenced by the relations a particular stakeholder is having with the firm and also the power or pressure they can exert on the firm.

Reynolds and Kristi (2008)\(^{(\text{19})}\) in their study involved contrasting and comparing traditional stakeholder theory with a new perspective of CSR as relational interaction between stakeholders and corporations. This view says that stakeholders are not external entities but an integral part of the corporations and they not only take part in reporting the requirements of the firm, but also in the core internal functioning of the company. They made use of Habermas’ theory of communicative action to illustrate a few reporting models such as ISO, AA1000, EMAS, SA 8000, and also, the Copenhagen grapher. They opine that the widespread use of these models enables the stakeholders to gain more insight into the CSR of the firm. The first part of their analysis deals with the examination of elements of truth, sincerity, understandability and appropriateness. The framework addresses these four components effectively when seen together. The second part deals with assessing the reporting model based on five speech propositions. These models incorporate generality, autonomous evaluations, and to some extent role taking. Transparency has one way communication and power neutrality is not currently achieved through any of these models.

Rodrigo and Danie (2008)\(^{(\text{20})}\) studied whether the employees of an organization care for CSR programs. They basically studied the different attitudes which emerge employees as a result of CSR implementation as well as what kind of employee typology these CSR programs generate. For this study, they selected two Chilean firms from the construction sector. Their study finds that the attitudes formed by the employees are very complex with different levels of identification or acceptance. These attitudes are a combination of attitudes towards society as well as


the company. Further, they found three different typologies of employees-committed employees, indifferent employees and dissenting employees. These are those who take their company’s CSR program seriously and work for the overall benefit of all the stakeholders, those who do not care for the society at all and those who think that the company should not spend on the social cause, rather it should increase their salary, respectively.

A novel model for CSR was developed by **O’Riordan and Jenny (2008)**\(^{(21)}\). They argue that big businesses, particularly the pharmaceutical companies are facing huge pressure from its stakeholders to act in a responsible manner. The very fact that these companies operate in the health business which is seen as such a basic human entitlement and fundamental right that makes the stakeholders keep a vigilant eye on the way pharmaceutical companies function. Hence, the authors developed a new model which incorporated four different domains; (1) context in which the firms and their stakeholders operate; (2) events, like release of new drugs or media reports; (3) stakeholders, and their nature; and (4) management response to all of these determinants. The most important conclusion of this model is that pharmaceutical companies should engage in an effective way with their respective stakeholders in order to gain the trust of the public.

**Fuentes et al. (2008)**\(^{(22)}\) have examined the potential applicability of CSR in Spain in the context of human resources management. They have explained that CSR also exists within a firm in the form of respecting the rights of employees and providing them better working conditions. They classified the companies into four levels, based on its CSR activities in the era of human resources. Thus they create an awareness and demand for transparency in the operations and related information, beyond the company for the buyers and suppliers so that the rights of their staff and employees are respected.

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To investigate CSR in the footwear industry, Lim and Joe (2008)\(^{23}\) conducted a study describing the market model in which suppliers compete with each other on price and delivery to get business out of the lead business. Here the suppliers are shown not to care for CSR. Also, they talk about another model – the collaborative partnership wherein the lead firm gives few selected suppliers secure product orders and other benefits thereby providing added incentives for CSR compliance. It was proposed that as a result of this, the suppliers approach will be to pursue CSR regardless of the incentives. To test all these hypotheses, the authors have taken the footwear company Nike as an example, which earlier was following the market model and later adopted the collaborative partnership model. Thus they showed that Nike gave importance to social legitimacy besides economics, leading to a change in the global value chain, which resulted in the manufacturer being relieved of the price pressure they were facing and their moving from conditional morality, thereby supporting CSR.

Hu and Chia-Chung (2009)\(^{24}\) provide that CSR reflects that basic assumptions of stakeholder theory based on the three levels of justifications; descriptive, instrumental and normative. Normative justification have philosophical considerations like righteousness, etc.; descriptive dwells on the stakeholders existence itself as justification and instrumental justification relies on strategic and performance criteria.

Lind green et al. (2009)\(^{25}\) empirically examined CSR of the US firms via survey of 401 US organizations. The different stakeholders of the companies were clustered into four groups; workers directors, and owners, market stakeholders and Government and pressure groups. The first two clusters represent the traditional model of stakeholders while the third and fourth clusters adhere to the stakeholder view of the organization. They also found that the size of the organization and its economic performance are the important determinants of CSR policies in the US.


Their study also reflects the managers’ view the CSR increases the reputation of the company.

On studying the relationship between CSR and the level of organizational commitment, Turk(2009)(26) measured commitment of the employees based upon the Social Identity Theory (SIT). They conducted interview of 269 business professionals who were working in Turkey. CSR was measured in terms of the responsibilities of the organizations towards various stakeholders. When the CSR activity was taken for social and non-social stakeholders (which include society, environment, and non-Governmental organizations), its employees were found to be highly committed towards their responsibilities to these stakeholders. But when the stakeholder was the Government, the employees were found to be less enthusiastic to work and less committed to perform the CSR activity.

Strand (2009)(27) examined CSR in the supply chain of Scandinavian firms. The firms they studied were four of the larger, IKEA, Nokia, Novo Vordis, and statoil Hydro. The findings of their study indicate that all these firms have implemented responsible supply chains wherein they have treated suppliers as their partners as one of the key stakeholders. They state that these firms share an honest and trusted relationship with their partners, leading to the development of cooperative advantage by way of having a long term relationship with their respective suppliers.

Conclusion

1. The wider aim of social responsibility is to create higher and higher standard of living, while preserving, the profitability of the corporation, for people both within and outside the corporation.

2. It is basically a relationship building process wherein the stakeholders are directly involved in corporate actions.

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3. The stakeholder management is thus found to be influenced by the relations a particular stakeholder is having with the firm and also the power or pressure they can exert on the firm.

4. Transparency has one way communication and power neutrality is not currently achieved through any of these models.

5. The employees of an organization care for CSR programs

6. Companies should engage in an effective way with their respective stakeholders in order to gain the trust of the public.

7. Rights of their staff and employees are respected.

8. They were facing price pressure and their moving from conditional morality, thereby supports CSR.

9. Descriptive justification dwells on the stakeholders existence itself as justification and instrumental justification relies on strategic and performance criteria.

10. Managers’ view that CSR increases the reputation of the company.

11. When the stakeholder was the Government, the employees were found to be less enthusiastic to work and less committed to perform the CSR activity.

12. Firms share an honest and trusted relationship with their partners, leading to the development of cooperative advantage by way of having a long term relationship with their respective suppliers.

2.3 STUDIES ON FACTORS AFFECTING SUCCESS AND FAILURE OF CSR

Abagail and Donold(2001)(28) tries to answer the question of how much a firm should invest in its CSR activities which has received less attention in the literature. They have addressed this issue through demand and supply theory of the firm and found that there exists some optimum level of CSR which maximize the profit of the firm and satisfying the stakeholder demand for advertising, the extent of product differentiation, the Government sales’ percentage, consumer income and the

stage of industry life cycle. Also the large and more diversified companies have more avenues for CSR investment.

Maak (2008)\(^{29}\) focused on the CSRs problem areas, arguing that CSR is problematic for the corporate for three reasons. These were, the presence of multiple ethical challenges. Social responsibility being only one of the responsibilities of the corporate historical baggage attached to CSR is becoming the object of increasing instrumentalism. Thus, they opine that given these problems regarding CSR, there should be some other name which should be both inclusive and integrative. He suggests the concept of corporate integrity. To ensure integrity, 7C need to be met and aligned with. Commitment, Conduct, Content, Context, Consistency, Coherence and Continuity. He says these are highly required characteristics to achieve integrity in the true sense. Corporate integrity is therefore not just another term to be used for CSR related tasks and activities, but it is a tool that can enhance the integration of issues and levels. He elaborates further by saying that as a business practices, it is the biggest asset that a corporation can have at any point of time, referring to McFall (1987): “Without integrity and the identity-conferring commitment it assumes, there would be nothing to fear the loss of, not because they were safe but because they have nothing to loose”.

Bhattacharya et al (2009)\(^{30}\) opine that the success depends upon the type of relationship between the company and the stakeholders and kinds of returns they generate from this relationship. The authors have elaborated on the numerous benefits, which may be functional, psychological or in terms of values that the stakeholders may derive out of the CSR Initiatives. They say that the extent to which the stakeholder derive these benefits determine the quality of relationship between the corporation and stakeholders. The authors argue that for a CSR initiative to be successful, it is necessary that the stakeholders should be provided with the benefits first rather than the company expecting returns for itself.


An exploration of the CSR activities in Non-Governmental organizations (NGOs) was undertaken by Weidenbaum (2009)\(^{31}\). Noting that these organizations are accountable to the society for their actions and business activities yet NGOs have rarely any governance mechanism in place which can handle their members accountable for what they do, the author aimed towards providing the ways in which NGOs can strengthen their internal governance system and thus become more accountable to their supports, member and the society at large. The author deliberated that as the NGOs are non-profit in nature, they are less likely to receive the Governmental control and regulation, giving the following suggestions for making the NGOs more accountable to all. The study suggest “Election of officers and/or board members by the membership; referenda of the membership on key issues; and more complete public reporting (i.e.), transparency of activities and financial condition”. With these suggestions, the key members of the organizations being given proper training and a new model of career development was also proposed.

Besides studying the role of NGOs in CSR Arenas et al(2009)\(^{32}\) studied perception of the stakeholders about the NGOs. They studied the contrasting perceptions among the stakeholders and the self-perception of NGOs in Spain. As far as the perception of the role of NGOs is considered, four categories emerge- NGO as drivers of CSR, NGOs and their difficult understanding with trade unions, NGOs and their legitimacy and NGOs as CSR players. Their research findings indicate that NGOs are key players in CSR. Their role as secondary stakeholders is regarded as highly controversial and does not lend them legitimacy. Trade unions have very distinct view from that of NGOs and there is a deep misunderstanding between the two.

Sud et al. (2009)\(^{33}\) studied the role of small institutions, known as Social Entrepreneurship (SE) in dealing with the common Societal problems prevailing in

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today’s time. The very name of SE indicates new solutions, so they are expected to provide some solution to the social ills prevailing. But the authors here put an argument that these new SE cannot solve the societal problems because of legitimacy, isomorphism and moral, political and structural problems. Legitimacy is about the fact that being very new to the system; these SEs are not accepted by the society easily. As per isomorphism argument, despite getting the society’s approval to operate, they have to work as per the existing modes of operations and structures. The third argument is the moral argument which specifies that when the SE becomes an integral part of the society, it will have to incorporate all the norms and moral regulations to go ahead.

Conclusion

1. There exists some optimum level of CSR which maximize the profit of the firm satisfying the stakeholder demand.
2. It is a tool that can enhance the integration of issues and levels by serving as framework.
3. Stakeholders should be provided with the benefits first rather than the company expecting returns for itself.
4. Organizations are accountable to the society for their actions and business activities yet NGOs have rarely any governance mechanism in place which can handle their members accountable for what they do.
5. NGOs are key players in CSR. SE becomes an integral part of the society, it will have to incorporate all the norms and moral regulations to go ahead.

2.4 STUDIES ON CSR AND FINANCIAL PERFORMANCE

(Hoelter, 1983) (34) stated that the stakeholder who values diversity for example, will identify with CSR Initiatives that focus on diversity. But if the firm also engages in a CSR initiative to, for example, protect the environment, then stakeholders who identify with the firm’s diversity values may find those enhanced by the firm’s environmental values.

34 Hoelter. J.W 1983”The effects of role evolution and commitment on identity salience” Social psychology -140-147.
Corporate responsibility as an instrumental benefit that can be divided into three types

1. Corporate responsibility as a means of avoiding financial loss (e.g. by defending a company’s reputation)
2. Corporate responsibility as a driver of tangible financial gains (e.g. by improving the quality of the workforce, by driving product innovation)
3. Corporate responsibility as an integral element of the company’s strategic approach to long term business performance (e.g. by prompting a move away from dependence on non-renewable natural resources)

Stakeholders see the best values in a firm and internalize them, which leads them to feel an even closer affinity to the organization. This affinity is strengthened when people believe that the organization exhibits greater viability and differentiates from peers in a positive manner says John Blundell (2004) Corporate Social Responsibility Poisons Market, London IEA(35).

Akerlof’s (1970)(36) ‘market for lemons’ suggests that customers look for clues about a firm’s identity in terms of quality when discerning whether to pay a premium to that firm in the marketplace. There are markets for both high quality and low quality firms and customers will pay a premium for high quality firms, but only if they can distinguish between high and low quality firms. If they cannot, the market for high quality firms fades away as high quality firms cannot earn a price consistent with their quality.

Folta and Janney, 2004 and Carter and Manaster, 1990,(37) in their Academic studies have identified a variety of quality signals, including the percentage of equity retained by the entrepreneur the choice of an underwriter and the choice of financing mechanisms. Recent studies have explored the signaling capabilities of CSR Initiatives.

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Scott’s (1995)\(^{38}\) explains that firms that engage in CSR Initiatives can build common ground with stakeholders who share similar values and interests. Normative pillar of institutional theory stresses obligation to others which is a hallmark of affiliation with the constituent.

DiMaggio and Powell, 1983.\(^{39}\) elaborate that firms undertake initiatives because it is socially expected of them. Actors may feel more comfortable if they can relate to an institution because it conforms to their expectations of what an institution should be.

As the literature till date suggests positive, negative and no relationship as well between the CSR and the financial performance of a firm, Abagil and Donald(2001)\(^{40}\) suggested that these conflicting relationships could be due to flawed empirical analysis. In this paper, the authors have addressed a particular flaw in the econometric analysis of CSR and the financial performance of a firm. Past studies have regressed the firm performance on CSP and several other control variables. They say that this model is not correctly specified as it does not take care of investment in R&D as a control variable which is one of the important variables affecting the firm’s performance. Hence, this misspecification leads to an upward bias in the financial impact of CSR on firm performance. If this model is correctly specified, CSR has been found to have neutral impact on the financial performance of the firm.

McWilliams and Siegel’s (2001)\(^{41}\) stated that the understanding of the CSR domain has grown since then, challenges remain at even the simple level of agreeing on what actually constitutes CSR ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’

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Sen and Bhattacharya, 2001\(^{(42)}\) studied that the perceptual alignment offered by CSR Initiatives goes beyond firms’ financial stakeholders to other stakeholders, such as consumers. As firm performance diminishes in variance (i.e. more firms perform about the same), other stakeholders will likely rely more heavily on CSR Initiatives to assess their fit to the firm’s values. It may not be the products that lead to identification with the firm, but the values of the firm as signaled by various CSR Initiatives. Stakeholders want to affiliate with a company with which they more closely identify and when they can observe that the company’s values are consistent with their own. Lacking the ability to signal that identity, unknown companies are less likely to enjoy this shared identity and the benefits it conveys. CSR Initiatives then provide an observable signal of the firm’s values because CSR is multidimensional, signals are cumulative, firms may find it beneficial to engage in multiple CSR Initiatives. Doing so not only expands the number of stakeholders who might more closely identify with the firm, but the accumulation of signals may also increase identity salience.

Margolis and Walsh (2003)\(^{(43)}\) conclude, in their extensive study of corporate social performance, that there is little evidence to suggest that paying attention to societal impact damages shareholder value reward. As noted these studies generally suggest a positive linkage between CSR and financial performance.

Lewis (2003)\(^{(44)}\) investigated that in the present time, companies undertake CSR because it adds to their reputation which in turn increases the stakeholder expectations.

Looking from different perspectives, Barnett and Robert (2006)\(^{(45)}\) established a curvilinear relationship between CSR and Financial Performance. They

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have measured the financial-social link within the mutual funds that deal with Social Responsible Investing (SRI). They conducted an empirical test on 61 managed SRI funds for 1972 to 2000 and found that as the number of social screens in a SRI fund increases, the financial return first decline, but start increasing as the screens further increase to a maximum level. Hence there is a kind of curvilinear relationship between the two. Further, they found that the financial performance depends upon the kind of screens used. While the financial performance increased with the community relations screening, at the same time, it decreases with the environmental and labor relations screening.

**Yoon et al (2006)**\(^{46}\) investigated the effect of CSR activities with bad reputation. The authors have conducted three experiments in which they have highlighted the mediating role of perceived sincerity and the motives that determine the effectiveness of CSR activities. When the consumers perceive the motives of the companies to be sincere, CSR activities help improve the image of the company. CSR activities are ineffective when the motives of the companies are ambiguous. Also, CSR activities can even hurt the image of the company when consumers perceive their motives to be insincere.

**Cornelissen et al., 2007**\(^{47}\) studies that the firm is a collective, holistic aggregation created by, yet capable of being examined independently of, managerial decision makers. The results of organizational actions, such as stock-option backdating disclosure decisions, alter the firm’s corporate identity. Such an identity represents the external, symbolically formed view of the firm held by stakeholders. These changes in a firm’s corporate identity, as framed through CSR Initiatives, should be reflected in the market valuation based on the firm’s social value. Consistent signals create a stable corporate identity making it easier for the firm to resonate with stakeholders. CSR Initiatives frequently contribute to the development

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and formation of a firm’s corporate identity independent of the motivation for initiating the CSR activities.

**Brickson, 2007**\(^\text{48}\) Highlights that over time, certain behaviors become so consistent they are taken for granted, representing a natural fit between the firm and its stakeholders, or an ‘identity alignment’ This ‘natural fit’ ties a given stakeholder and the organization together, and promotes shared values and shared identity.

**Van Beurden (2008)**\(^\text{49}\) performed a review of literature pertaining to the relationship between financial performance and CSP. Although there are varied views of different researchers as far as the CSR is concerned, the available literature till date suggests a positive relationship between the corporate social responsibility and financial performance; although there were instances of negative as well as no relationship between the two. However, a majority of the studies indicate a positive relationship between these two. Further, they also identified some factors that influence the relationship between CSR and Corporate financial performance. Size of the firm was found to be a major factor affecting the relationship in most of the studies while other factors were industry, Research and Development and risk.

Another investigation into the relationship between the CSR of the firm and its FP was performed by **Van der Laan et al (2008)**\(^\text{50}\). For this study, they measured the social performance of the S&P 500 for the period from 1997 to 2002. They took into account the heterogeneity among the stakeholder groups. In that there are two groups of stakeholders-primary or ‘private’ stakeholders and secondary or ‘public’ shareholders. Their findings suggest that primary stakeholders play a major role in specifying the relationship between the CSR and its financial performance. The authors say this so because primary stakeholders are more or less directly attached to the firm and they can protect their rights by directly engaging in the bargaining with

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the firm. Also, it was found that negative impact of ‘bad’ CSR on the financial performance of the firm is much more than the positive impact of ‘good’ CSR on its performance.

Chih et al (2008)\(^{51}\) studied the relationship between Earnings Management (EM) and CSR. The authors have identified three types of EMS: Earning smoothing, Earnings aggressiveness and Earnings losses and decreases avoidance. They investigated the CSR related features of 1,653 for, some 46 countries and analyzed whether it had a positive or negative impact on their EMS for the time-period 1993-2002. This study was conducted in a period when a number of companies did accounting frauds and misled outsiders through their wrong financial reporting. They tested four hypotheses relating to the relation between CSR and EM. As per the first hypotheses, the myopia avoidance hypotheses, CSR and EM are negatively related. The multiple objective hypotheses postulates positive relationship between the two. The institutional hypotheses, postulates that there is no relationship between CSR and EM. Last, like the multiple objectives hypotheses, the predictable earnings hypotheses states that these two are also positively related.

Jones et al (2008)\(^{52}\) conducted a study for the Australian context evaluating the investment related performance of funds based on Socially Responsible Investment (SRI). SRI is an investment which takes social, ethical and environmental decisions into considerations. The return performance of ethical funds in Australia was investigated for the period 1986-2005. Ethical fund returns (risk adjusted) show that average annual under performance in 2000-2005 are around 1.52% while it is 0.88% for the time period in consideration.

Makni et al. (2009)\(^{53}\) on examining the CSP and the Financial Performance of a firm have shown that there exists a casual relationship between them.


Considering the Canadian context to empirically examine this relationship, they analyzed 179 firms from Canada using Ordinary Least Square (OLS) regression based Granger Causality Test. The measures of Financial performance (FP) included three variables; Return on Asset (ROA), Return on Equity (ROE) which are accounting variables and a third, Stock market returns. Size of the firm, risk level and industry for the firm were taken as control variables. Comparing individual scores for human rights, community and society customers, Corporate governance, environment and employees as well as aggregate scores for CSP found that there is no casual relationship between FP and CSR. A statistically significant but contrary to past literature, negative relationship between the aggregate score of 2004 for CSP and stock market returns for 2005 were observed implying better CSR causes lower average market returns. For individual measures of CSP-employee and environment, it was observed that there was a statistically significant but negative relationship between CSP and FP. Here scores for CSP were from 2004 and FP from that of 2005. The authors discuss the six major hypotheses related to CSR and FP as given in literature. These are: the trade-off hypotheses, supported with their findings; the negative synergy hypotheses which is also supported by them to an extent; the social impact hypotheses; slack resources hypotheses; the hypotheses of managerial opportunism and the positive synergy hypotheses. The social impact hypotheses says that better financial performance is achieved by fulfilling stakeholders’ needs. Slack resources hypotheses pave way for the assumption that having good financial performance would provide resources that can be invested in CSR activities. There exist a trade-off between CSR activities and financial performance as per the trade-off hypotheses. It implies that CSR leads to poorer financial performance. Negative synergy hypotheses takes it further by saying that such performance will inevitably lead to lesser investment in CSR performances and thus a positive cycle ensues. The managerial opportunism provides a rationale that managers instead of pursuing CSR activities, stakeholder interest may pursue personal interest.

Okamoto (2009)(54) conducted a similar study in the context of Japan to find out the relationship between CSR of the firms and their financial performance. It has

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been explored how social relationship has emerged over a period of time as one of the
criteria which is important for the corporate appraisal of the firm. Thus, the author
feels having good profitability and high growth rate does not make a firm good unless
it has good social relations. Author further elaborates on Japan’s Corporate transition
over time: Japan’s corporate history has been characterized by three swells with first
being the social responsibility boom, during the 1960s and 1970s, wherein the core
objective of the firm was only to achieve high profitability and growth rate. Then
come the philanthropy boom during the 1980s and 1990s. During this period, Japan
became the largest creditor company in the world and at this time social contribution
was thought to be irrelevant for the business of a company. The third swell is the CSR
Boom of the 21st century; CSR practices have been socially recognized. Here social
relations of a firm became integrated into the core objectives of profitability and
growth.

**Hiss (2009)**(55) describes institutional and changing business practices in
Germany and how CSR has come into business practices. In the 1980s, there were
certain mandatory and implicit regulations that the corporate had to follow. But the
time has changed now and the corporations are willingly and explicitly taking the
responsibility towards social cause. This major change from implicit to explicit social
responsibility behavior has been described as an institutional change. Hence, concern
towards social issues in the form of CSR has become one of the major parts of
corporate activities.

**Gao (2009)**(56) analyzed the relationship between corporate financial
performance and CSR of China’s top 100 (based on average annual revenue)
companies. They interpret CSR in China as a sort of Confucianism or humaneness.
This meant what the author refer that “the human man, desiring to establish himself,
seeks to establish others; desiring himself to succeed, helps others to succeed”.

56 Yongqiang Gao, (2009) "Corporate social responsibility and consumers' response: the missing
From amongst the three components of CSR, economic component was given highest importance in China while legal and ethical issues were of little concern to the firms. Companies belonging to automobile, iron, and steel industries were highly concerned of legal and ethical issues; while the companies on banking and insurance gave more importance to philanthropic activities.

Lev et al (2010) suggest that charitable giving signals a firm’s overall health as only financially healthy firms can afford to make large philanthropic gifts. They found corporate philanthropy to be a forward-looking signal, reporting a positive correlation between current philanthropy and future growth.

This is consistent with Williams and Barrett's (2000) finding that corporate philanthropy partially offsets negative reactions to firm wrong-doing. Consistent CSR Initiatives over time connote a healthy corporate environment which is better suited to handle the shock of a wrong-doing event. This is not to suggest that firms buy their way out of trouble. Instead, consistent positive initiatives may make a wrong-doing appear to be an aberration in the light of the firm’s identity and reputation.

Conclusion

1. Corporate responsibility is a means of avoiding financial loss
2. Corporate responsibility is a driver of tangible financial gains
3. Corporate responsibility is an integral element of the company’s strategic approach to long term business performance.
4. Customers look for clues about a firm’s identity in terms of quality when discerning whether to pay a premium to that firm in the marketplace.
5. Firms that engage in CSR Initiatives can build common ground with stakeholders who share similar values and interests.
6. Firms undertake initiatives because it is socially expected of them.

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7. CSR has been found to have neutral impact on the financial performance of the firm.
8. CSR ‘actions appear to further some social good, beyond the interests of the firm and that which is required by law’
9. In their extensive study of corporate social performance, there is little evidence to suggest that paying attention to societal impact damages shareholder value reward.
10. Financial performance increased with the community relations screening, at the same time, it decreases with the environmental and labor relations screening.
11. CSR activities can even hurt the image of the company when consumers perceive their motives to be insincere.
12. CSR Initiatives frequently contribute to the development and formation of a firm’s corporate identity independent of the motivation for initiating the CSR activities.
13. Size of the firm was found to be a major factor affecting the relationship in most of the studies while other factors were industry, Research and Development and risk.
14. Primary stakeholders play a major role in specifying the relationship between CSR and its financial performance.
15. CSR and EM are negatively related.
16. CSR practices have been socially recognized. Here social relations of a firm became integrated into the core objectives of profitability and growth.
17. Concern towards social issues in the form of CSR has become one of the major part of corporate activities.
18. Companies belonging to automobile, iron, and steel industries were highly concerned with legal and ethical issues; while the companies on banking and insurance gave more importance to philanthropic activities.
19. Charitable giving signals a firm’s overall health as only financially healthy firms can afford to make large philanthropic gifts. Corporate philanthropy partially offsets negative reactions to firm wrong-doing.
2.5 STUDIES ON CSR IN VARIOUS CONTEXTS

CSR has been applied in various contexts. It is applicable in some way or the other to firms everywhere, to all types and sizes of firms and within and relative to the firm. CSR incorporates a variety of activities and corporate practices. CSR studied in various contexts are discussed below.

Simon Zadek (2001)\(^{(59)}\) says that Corporate citizenship is about business taking greater account of its social and environmental – as well as its financial footprints.

Sarbutts(2003)\(^{(60)}\) explains CSR in context to SMEs. According to him if the major corporations are struggling for their reputation, then what is the hope out there for SMEs? He argues that SMEs don’t have much resource to engage in CSR activities. But his conclusion comes with a remark that SMEs are better placed than the large corporations to take advantage of the reputation in the society due to being flatter and without analysts and shareholders being lured by the price/earning ratio.

CSR has been looked from different perspectives by Kakabadse et al (2006)\(^{(61)}\). They emphasized not on the definition of CSR but on the capabilities and skill required by the individuals and the corporations for CSR implementation. They have identified three stages of CSR viz., CSR decision, adoption and commitment. Within these three stages, there are 10 skills and capabilities which are to be possessed by the individuals and the organizations. These are CSR awareness, reflexivity and discerning CSR goals under CSR decisions; using business case language, persuasion, handling paradoxes and conflicting priorities, consistency of applications CSR measurement and follow through under CSR adoption and will to act under CSR commitment.

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Goyal (2006)\(^{62}\) explores CSR as signaling device for Foreign Direct Investment (FDI). When a new firm enters an emerging market where it is unknown, its CSR practices may prove to be helpful.

**Donna J.Wood, Jeanne M.Logsdon, Patsy G Lewellyn, Kin Davenport(2006)\(^{63}\)** Donna Wood and others have taken the concept of citizenship much further and introduced the notion of ‘global business citizenship’ where ‘a global business citizen is a business enterprise (including its managers) that exercise its rights and implements its duties to individuals, stakeholders, and societies within and across national and cultural borders.

**Sweeny (2007)\(^{64}\)** explores the barriers and opportunities lying before the SMEs while taking CSR in Ireland. His attempt has been towards demarcating the differences between small and large firms operating in Ireland when it comes to their understanding of CSR, the type of CSR activities undertaken and how the CSR has been managed. He conducted a semi-structured interview of 13 firms which represent both large as well as SME firms. The operating limit of CSR in large firms has been defined in terms of four main stakeholders; employees customers, environment and the community. Whereas in case of SMEs the community is the main stakeholder and CSR is defined as doing business in a responsible manner. For both kind of firms, the author has found some ambiguity. Large firms do not give much importance to the social factor while the small firms do not give much attention to the firm size.

**Hazlett et al (2007)\(^{65}\)** explored the relationship between quality management and the CSR, They have conducted an in depth analysis of the award

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winning organizations in Ireland through a case study approach in terms of quality management in relation to their efforts towards business improvement. The CSR activities within the organizations under study have been classified under four categories. Viz., environment, workplace, social impact and economic impact. In case of environment, the manufacturing organizations are ahead of service organizations in terms of their CSR activities.

Similarly, Ghobadian et al (2007)\(^{66}\) compared the total quality management and CSR and explored the similarities and differences between the two. Using a discursive analysis technique, they have investigated the management concepts namely, the underlying philosophy; the elements of CSR/TQM and the outcome. Both these processes have been shown to have a common philosophical background. But it is not always necessary that CSR will happen if there is TQM. For CSR to happen, it is necessary to adjust and broaden the elements of TQM resulting CSR leading the organization to do the right thing.

Iyer (2009)\(^{67}\) attempted to show the limitations and ineffectiveness of CSR as a social contract with contractual obligations. Citing the case of farmer suicides in central India the author argues that CSR should take on the role befitting that of ‘benign paternalism’.

Udayasankar (2008)\(^{68}\) investigated how firm size influenced the participation of the firm in CSR Initiatives. The paper identifies different motivations for small, medium and large firms to engage in CSR. Very small and large firms have equal motivations to participate in CSR activities in terms of visibility, resource access and scale of operations, but their motivation basis can be different for both the groups of firms. On the other hand, the medium sized firms have the least motivation to engage in CSR Initiatives. This implies that the relationship between size of the firm and the amount to which it participates in CSR activities in U-shaped. This is so


\(^{67}\) Sheth jagdish N Arun Sharma and Gopal Krishnan R.Iyer (2009) why integrating purchasing with marketing is both inevitable and beneficial industrial marketing management 38(8) 865-871.

because the firm with medium size may see CSR participation as an investment without returns and hence least motivated to perform CSR.

**Avram and Sven (2008)**\(^{69}\) studied the responsible business behavior of the SMEs in Austria from a strategic management point of view. They first provide a thorough review of literature on CSR elaborating on how the SMEs could generate social capital. To go ahead with the study, they identified a small company in the food processing industry and performed an exploratory case study analysis. They finally conclude from their observations that SMEs usually have to face a lot of problems while implementing business activities especially those related to external environment as compared to larger firms because of difficulties in accessing financial and personal resources.

**IP (2008)**\(^{70}\) brings to light the current trend of CSR in the western countries and says that CSR awareness in Asia is rather low in Asian Corporate as compared to western countries. Adding to this, it is said that now CSR is gaining importance in Asia as well. The author conducted a study in Taiwan in 2005 in the form of a survey of 705 publicly listed companies noting that Asian firms are now taking CSR more seriously. The author constructed the indices to measure CSR purely based upon triple bottom-line—financial, social and environmental aspects of CSR. The major finding of the survey was that the shareholders’ rights and employees’ right are the two main important corporate responsibilities. The way CSR is being reflected is in honest tax paying firms. In addition to the CSR survey, the author also conducted a corporate ethics survey. The author shed some light on the crony capitalism and Confucian families in Taiwan. These two approaches, CSR and cronyism, as per the author are acting in two opposite directions and therefore suggests that for the society to gain maturity and modernism, it will have to overcome cronyism.


Singh et al (2008)(71) did a study of the relationship between CSR activities of a firm and the perception of consumers about its products. This study was basically cross-cultural in nature, i.e., data had been taken from two different countries-Spain and UK. The study basically analyzed the perception that the public forms from the CSR Initiatives of the companies and in turn the impact of these perceptions on the performance of the firm in terms of its products demand. The authors developed and tested five hypotheses and their analysis shows that consumers perceive that the companies do not provide information on their social, ethical and environmental activities. The authors further comments that there is no interest in the ethical and social issues of the firm as the consumers prefer to stress upon the commercial campaigns because the products considered (Colgate, Coca-Cola, Kellogg’s and Danone) do not have that much ethical appeal. The findings in this study show the need for CSR concept to its company to consumer communication.

Sotorrio and Sanchez (2008)(72) conducted an analysis of the CSR practices of the most highly reputed North American and European companies. Basically they had two objectives in mind while conducting this study. First, analyzing the main differences in the components and level of CSR between North American and European firms using a descriptive analysis and second, to compare the different motives behind CSR depending upon the country or the region of the firm, using a multiple regression model. In all they studied 80 observations from 40 companies; 34 from North America and 46 from European countries. Their results indicate that highly reputed European Companies on an average represent a higher level of CSR. They infer that there are also different motives behind social behavior depending upon the region of the company, size of the company motivates its CSR towards community and environment whereas financial performance motivates CSR towards customers. It was found that in the case of European companies, financial performance motivates environment responsibilities more as compared to North American firms.


Adam Shavit (2008)\(^{73}\) used a theoretical approach to investigate how a rating mechanism can act as an incentive for companies that are not included in the SRI indices to invest in CSR. This index includes firms on limited membership basis. The firms which are there in the index have an incentive to improve their ranking by investing more in CSR activities. As per the hypotheses set by the authors, a firm will not invest in CSR activities if it is not included in the SRI index. The authors suggest that if all the firms are publicly ranked as per the SRI index parameters, the firm will be investing more in the CSR activities and will be generating high pay-offs which will be reflected in the firm’s public image and reputation and thus all the firms will be having an incentive to invest in CSR activities and improve their SRI index rating.

Reverte (2009)\(^{74}\) conducted a study in Spain to explain the determinants of CSR disclosure ratings in the listed firms. The determinants which he considered were media exposure, size, profitability, leverage and firm and industry characteristics. This paper suggested that bigger sized firms had higher CSR ratings and greater media exposure. Also, such firms were part of highly environmental sensitive industries. Media exposure was found to be a significant influential variable in explaining the variation in CSR ratings, following the size of the industry and the industry sector to which the firm belonged. However, profitability and leverage of the firm were found to have no impact on the CSR ratings of the firm.

Russo and Antonio (2009)\(^{75}\) studied the different levels of CSR strategies in large firms and Small and Medium Enterprises (SMEs). As per their research, large firms follow formal route of CSR strategies because they are well established, while small and medium firms follow informal strategies. Their sample consisted of 3,626 Italian firms. Their findings indicate that large firms followed a more formal CSR


strategy. Also, it was very rare for these firms to show their CSR Strategies in their explicit management system. On the other hand, as the SMEs are very sensitive to community issues and in order to secure their licenses and bottom-lines, these are characterized by informal CSR activities.

**Blomback and Wigren (2009)**(76) challenge the size of the firm as a determinant of its CSR activities. They focus on the ‘small firm CSR’ in research. They argue that while studying to find or predict the CSR behavior, the size of the firm should not be a feasible and main criterion. They also suggested other criteria that one should focus upon while looking at the CSR activities-Corporate governance, local embeddedness, and individual behavior, which seem to explain the characteristics of the CSR activities of a firm irrespective of the size.

To examine the drivers of Purchasing Social Responsibility(PSR) i.e., social responsibility in purchasing, **Salam (2009)**(77) replicated a study, extending it to the Asian context, Thailand in particular. Studying responses of supply chain and purchasing managers, he analyzed the effects of CSR on PSR. Individual values and people-oriented organizational culture were seen as being the greatest determinants of PSR. It was advocated that CSR led PSR would provide competitive advantages.

**Muller and Kolk (2009)**(78) studied the concept of CSR in emerging market. They conducted a survey of companies in Mexican auto industry. They considered three dimensions to measure the level of CSR-labor, environmental and community. The results of their study indicate that similar to companies in developed countries, local firms in emerging countries also undertake CSR activities. Also, the levels of CSR performance in emerging and developed countries are comparable.

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**Rama et al (2009)**\(^{79}\) expounded on the implementation of CSR to provide capacity development for individuals, organizations and collaborations thus ultimately affecting the enabling of the environment. For enabling the environment they provide a framework for Associate, access Resources, exercise Voice, obtain Information and engage in Negotiate (ARVIN). This they say is possible using collective action mode, getting multi-stakeholder collaborations and networks based on these collaborations. Thus, implementation of CSR Initiatives will lead to institutional changes.

**Conclusion:**

1. SMEs are better placed than the large corporations to take advantage of the reputation in the society.
2. CSR depend on the capabilities and skill required by the individuals and the corporations for CSR implementation.
3. CSR is a signaling device for Foreign Direct Investment (FDI).
4. Large firms do not give much importance to the social factor while the small firms do not give much attention to the firm size.
5. The CSR activities within the organizations have been classified under four categories. Viz., environment, workplace, social impact and economic impact.
6. For CSR to happen, it is necessary to adjust and broaden the elements of TQM resulting CSR leading the organization to do the right thing.
7. CSR should take on the role befitting that of ‘benign paternalism’.
8. The relationship between size of the firm and the amount to which it participates in CSR activities in U-shaped.
9. The shareholders’ rights and employees’ right are the two main important corporate responsibilities.
10. There is no interest in the ethical and social issues of the firm as the consumers prefer to stress upon the commercial campaigns.
11. Highly reputed European Companies on an average represent a higher level of CSR.

12. Investment in CSR activities improves their SRI index rating.
13. Profitability and leverage of the firm were found to have no impact on the CSR ratings of the firm.
14. SME’s are very sensitive to community issues and in order to secure their licenses and bottom-lines, these are characterized by informal CSR activities.
15. CSR behavior and, the size of the firm should not be a feasible and main criterion.
16. CSR led Purchasing Social Responsibility would provide competitive advantages.
17. The level of CSR performance in emerging and developed countries are comparable.
18. Implementation of CSR Initiatives will lead to institutional changes.

2.6 STUDIES ON THE ROLE OF COMMUNICATION AND REPORTING IN CSR: TRANSPARENCY AND DISCLOSURES

Going in the direction of transparency and reporting issues at CSR in this new light.

Buhmann(2006)\(^{80}\) investigated CSR in various forms, one of which included whether CSR can act as an informal law and it is based on a set of fundamental principles of law. The Government uses the statutory law as an instrument that requires the corporation to follow and abide by certain reporting practices pertaining to CSR and also take specific actions to make the corporations to work in some required manner. If the corporations are found to be responsible for lack of respect for human rights, labor rights and environmental protection then various stakeholders like, NGOs, consumers, investors, employees, society, etc. base their assessment of law.

Nielson and Thomsen(2007)(81) explored what the organizations have to say and how they say it when it comes to reporting CSR. Their study focused on what the companies are doing in comparison to what they are reporting. They have conducted a study of six Danish companies and found that the annual reports of these companies are very dissimilar in terms of topics on one hand and disclosures with respect to perspectives, stakeholders priorities and contextual information on the other hand. Given all the topics under consideration, not all the companies focus upon them with equal attention. Also all the companies have different entries in the annual reports posted on their websites. Some companies are concerned about profit while others about people. Companies also differ in terms of their key stakeholders (employee versus customers), are also being global versus localized. Hence, the way companies report their CSR practices vary from company to company and from case to case.

Cornelius et al (2008)(82) opine that though it is not so difficult to engage in CSR, managing internal CSR is of great importance for any firm. They argue in favour of focus upon stronger internal CSR policies, on which corporations do not lay much emphasis. The authors conducted their study in the SMEs engaged in social works. They suggest therefore, that for a social enterprise, it is highly required to maintain a balance between the internal and external CSR, so that the external community’s concern can be addressed properly.

Wanderley et al (2008)(83) analyzed web based or online disclosures of CSR activities of the firms from various nations. The authors say that as a result of internet revolution, firms are more likely to publicize their CSR faster and less expensively. They examined whether the nations to which the firms belonged influenced CSR information disclosed on their corporate websites. To find this answer, they analyzed

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the websites of 127 corporations belonging to emerging countries. They discovered that the country as well as the industry sector to which the firms belongs influences the CSR information disclosures on the web.

**Dubbink et al (2008)**

conducted a study to investigate the role of transparency in CSR of a firm. The pros and cons of two conventional policy strategies were discussed. These were the ‘facilitation’ policy and the ‘command and control strategy, respectively. To study these strategies, they used three criteria: virtue, efficiency and freedom; and found that both of these strategies are defective in nature. They have taken the examples of Dutch Government which uses facilitation policy and described that it has totally failed in terms of efficiency. They also talk about a third policy which is self regulating in nature which is highly prevailing in the corporates today supported by Government facilitation. They discuss the recent use of ‘infomediaries’ as transparency providers to the public and the role they play in disclosing the information about the CSR of the firm.

**Fukukawa and Yoshiya (2009)** conducted a study on how the managers of Japanese companies perceive CSR in the global competition scenario. The year 2003 was the year when CSR concept was introduced in Japan. So this year is known as the ‘CSR gannen’. The authors conducted interviews of 13 Multinationals companies to find out how CSR practices have been incorporated in Japan. The questions which they asked were related to the definition, scope, motive, purpose and form of CSR and the difficulties faced while implementing the CSR policies. The answers of the managers provide support to the line of thinking that thinks of Japan as lagging behind other countries. The reasons provided are that companies in Japan do not state their policies explicitly as is expected by the society.

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Chen and Bouvain(2009)\textsuperscript{86} investigated whether the CSR of the firms operating in different countries is converging. They studied companies from four countries: the US, UK, Australia and Germany to compare their CSR characteristics. Companies were selected from the stock exchanges of these companies based on their market capitalization. From these companies they took a sample of those companies that reported their CSR in PDF format. They conclude that there are significant national differences in the reporting of CSR in these countries which can be attribute to the importance given to such reporting by the stakeholders in those countries. In case of the US, UK and Australia, the capital is diffused and more dispersed and the companies over there have to report to a larger audience as compared to Germany. CSR reporting also differs on the environment issue due to different political scenario in these countries.

Moore et al (2009)\textsuperscript{87} provided a list of criterion variables for adjudging SMEs for their CSR activities in terms of Responsible Business Practices(RBP). They drew from literature a set of 16 variables, further grouping them into four categories to adjudge SMEs. An exploratory study at the UK trade fair provide information that most of the RBP criteria were applicable to the UK fair trade organizations. Two criteria that did not apply had sound reasons for not only applying in the given context. Hence they recommended all the set of 16 criterion variables to be used for adjudging RBP for the time being. The Criteria selected by them had the following variables: ‘Governance of RBP’ included profit, code of conduct, board member and presence of an ethics committee, ‘Employees in the organizations’ which had independent confidential person, staff handbook, responsibility toward employees and ethical training for employees, stakeholder relationship’ which included responsibility towards the environment, competitors, community suppliers, customers or clients and ‘external reporting and monitoring’ which comprised of social report, communication with stakeholders and certification.


Wang (2009) explored the advertising disclosures and CSR practices of credit card issuers. He basically focused upon how the consumers perceived the disclosures in credit card issuers’, their attitude towards the issuers’ CSR practices and attitudes towards credit card issuers in general. Their sample consisted of college students using credit cards. The study revealed that the positive attitude of students towards disclosures enhances their attitude positively towards credit cards issuers and their CSR practices.

Conclusion:

1. CSR can act as an informal law and it is based on a set of fundamental principles of law.
2. Stronger internal CSR policies, on which corporations do not lay much emphasis. The way companies report their CSR practices vary from company to company and from case to case.
3. Country as well as the industry sector to which the firms belongs to influences the CSR information disclosures on the web.
4. The recent use of ‘infomediaries’ as transparency providers to the public play a role in disclosing the information about the CSR of the firm.
5. Companies in Japan do not state their policies explicitly as is expected by the society.
6. CSR reporting also differs on the environment issue due to different political scenario in these countries.
7. Positive attitude of students towards disclosures enhances their attitude positively towards credit cards issuers and their CSR practices.

2.7 STUDIES ON THE DIFFERENT LEVELS OF CSR

Dr. Jyostna diwan mehta 2009 suggests that in order to achieve corporate sustainability organizations must combine the external manifestation of corporate social responsibility along with the internal commitment to ethical and socially

responsible behavior and outline how the organization can achieve integral CSR. He defined CSR as “Ethical behavior of a company towards the society” and usually manifests itself in the form of programs initiated by business organizations in various sectors like education, health etc. Social responsibility can be exercised at three levels, which includes:

Level 1: Social Obligations
Level 2: Social Responsiveness
Level 3: Social Responsibility
In order to move towards corporate sustainability,

I. Manager must examine ethical questions at four levels-

Level 1: Societal (protecting the interests of Society Nation, World Community)

Level 2: Stakeholder (Safeguarding the interest of Shareholders, Suppliers, Consumers, Government Competitors)

Level 3: Internal Policy (Protecting the interest of Employees)

Level 4: Personal (Individual conduct to be within the boundaries of ethics)

II. Organization members must understand the concept of the Ethical mind

Psychologist Howard Gardner has stated that there are five types of minds (HBR 2007)\(^{90}\)

1. The disciplined mind
2. The Synthesizing mind
3. The creating mind
4. The respectful mind
5. The ethical mind

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III. Organization must encourage the development of an Ethical mind

IV. Identify the elements in a decision that may harm the intention to be socially responsible

V. Guard against any situational variable that cause organizations to indulge in Socially irresponsible behavior

VI. Practice Ethical Behavior in Business Ethics

FIGURE 4
ORGANIZATIONS OBJECTIVES

Organizations Objectives

- Economic Objectives
  - If met: Profit
  - If not met: Loss on investment, Falling sales, No profits
    - Degradation of society

- Social Objectives
  - If met: Goodwill and positive image building
  - If not met: Organizations cannot flourish

Source: compiled by Researcher
The lack of widely agreed definition contributed to misunderstanding and
cynicism towards the concept itself. If CSR means different things to different people
then debate on its importance in strategy formulation and stakeholders management
becomes confused, if not impossible.

Carroll and Buchholtz's(91) four-part definition of CSR makes explicit the
multi-faceted nature of social responsibility. The economic responsibilities cited in
the definition refer to society's expectation that organizations will produce goods and
services that are needed and desired by customers and sell those goods and services at
reasonable price. Organizations are expected to be efficient, profitable, and to keep
shareholder interests in mind. The legal responsibilities relate to the expectation that
organizations will comply with the laws set down by society to govern competition in
the marketplace. Organizations have thousands of legal responsibilities governing
almost every aspect of their operations, including consumer and product laws,
environmental laws, and employment laws. The ethical responsibilities concern
societal expectations that go beyond the law, such as the expectation that
organizations will conduct their affairs in a fair and just way. This means that
organizations are expected to do more than just comply with the law, but also make
proactive efforts to anticipate and meet the norms of society even if those norms are
not formally enacted in law.

Finally, the discretionary responsibilities of corporations refer to society's
expectation that organizations be good citizens. This may involve such things as
philanthropic support of programs benefiting a community or the nation. It may also
involve donating employee expertise and time to worthy causes.

Zadek (2000)(92) identified four types of corporate responsibility defense of
reputation, cost-benefit orientation, the strategic business case, and the new economy’
case, in which corporate responsibility is seen as part of a new approach to learning,
innovation, and risk management

Mirvis and Googins (2006) warn that there is no single developmental pathway, but believe that there is natural progression. Their model builds on ideas of behavioural psychology and posts that companies, like individuals, exhibit distinct patterns of behaviour at different stages of development, their activities becoming more complex and sophisticated as they mature.

The levels of maturity of the company’s actions in seven areas of management are

1. How corporate responsibility is defined and the comprehensiveness of the definition (what they call the ‘citizenship concept’)
2. The purpose of the company’s corporate responsibility (‘strategic intent’)
3. The support given by company managers (‘leadership’)
4. The day-to-day management of corporate responsibility within the firm (‘structure’)
5. Responses to social, environmental, and other relevant issues (‘issue management’)
6. Managing the relationship with key constituencies within and outside the company (‘stakeholder relationship’);
7. Openness, Transparency and disclosure about different aspects of corporate responsibility performance (‘transparency’)

2.8 STUDIES ON “CORPORATE SOCIAL RESPONSIBILITY: DIFFERENT FROM PHILANTHROPY”

World Business Council for Sustainable Development (2004) defines CSR as “The Continuing commitment by business to be ethical 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.

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Whitehouse (2006)\(^\text{95}\) found the following characteristics of philanthropy differentiate it from CSR

1. Philanthropy with its emphasis on how money is spent rather than made, fails to add sufficient value to the reputation of the company among its stakeholders.

2. The amount of money donated to charity does not reflect the extent to which company is socially responsible or its underlying cause.

3. Charity may have a unexpected and adverse impact on the company’s reputation. It is a fact the whenever a company does anything without a specific cause, it creates skeptical image in the mind of the consumer as he starts looking for a cause behind the act.

4. The shift from philanthropy to CSR was also necessary because philanthropy cannot be the sole determinant of CSR, as it might not have the potential impact on the consumers, which is present in case of CSR.

➢ CSR is not Philanthropy

Michael Porter wrote: Corporate philanthropy – or corporate social responsibility – is becoming an ever more important field for business. Today’s companies ought to invest in corporate social responsibility as part of their business strategy to become more competitive and stop kidding ourselves that charity and philanthropy do much to help the poor. (Rob Reich, cited in The Economist, 25 February 2006).

2.9 STUDIES ON CSR AS A MEANS OF MAXIMIZING PROFIT THROUGH BRAND BUILDING:

Pava and Krausz (1997)\(^\text{96}\) suggest four criteria that are significant in evaluating the legitimacy of CSR programs, which are.

1. Local knowledge

2. The level of responsibility

3. Share Consensus

4. The relationship to financial performance

Similarly Kotler and Lee (2005)\(^{97}\), divide the Corporate Social Initiatives into two main groups:

1. Marketing-related and

2. Outside Marketing related.

While the Marketing-related initiatives include cause-Promotions, cause related marketing, and corporate social marketing, the outside marketing-related functions include employee volunteering and socially responsible business practices. In other words, majority of the functions of CSR are directly linked to some sort of brand building, which can help increase the market share of the organization.

In 2002, a survey was conducted on CSR by CII, UNDP supported by the British Council and Pricewaterhouse Coopers\(^{98}\) in India. An inference can be drawn that CSR Initiatives followed by organizations can definitely give a boost to what they call internal marketing and external marketing in the context of an organization.

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\(^{98}\) (Price WaterhouseCoopers) www.pwc.com, accessed 14 August 2006.
FIGURE 5
A SURVEY OF CONSUMERS

<table>
<thead>
<tr>
<th>WHAT CUSTOMERS WANT</th>
<th>Latin America</th>
<th>Middle East/Africa</th>
<th>Asia Pacific</th>
<th>North America</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy their products</td>
<td>77</td>
<td>75</td>
<td>70</td>
<td>64</td>
<td>55</td>
</tr>
<tr>
<td>Work for them</td>
<td>73</td>
<td>72</td>
<td>66</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Invest in them</td>
<td>75</td>
<td>72</td>
<td>63</td>
<td>55</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Nielsen Global Survey of Corporate Citizenship, Q3, 2011

Note: All figures are in %

2.10 STUDIES ON CSR - BENEFITS TO BUSINESS:

According to Friedman (1962)\(^ {99} \) There is negative relationship between corporate responsibility and financial performance, because the former misuses company assets

Preston and O’Bannon (1997)\(^ {100} \) divide the business case into three types of relationship

1. Corporate responsibility relates to financial performance
2. Financial performance relates to corporate responsibility
3. Corporate responsibility and financial performance are synergistic.


Waddock and Graves(1997) study how the strength of performance affects the amount that a company invests in corporate responsibility.

➢ Benefits to business

Some of the commonly accepted benefits of CSR are

1. Improved Financial Performance
2. Reduced Costs,
3. Enhanced Brand image and reputation
4. Increased Sales and Customer loyalty
5. Customer satisfaction
6. Increased Productivity and quality
7. Increased ability to attract and retain employees
8. Reduced regulatory oversight
9. Brand visibility, recognition and awareness
10. Increased market share
11. Favorable positioning
12. Competitive mileage
13. More engaged investors
14. Environmental Sustainability,
15. Forgoing of partnerships between business and society

In this context the CSR voluntary Guidelines 2009, published by the Ministry of Corporate Affairs, Government of India, brings to light six important aspects:

1. Care for all stakeholders
2. Ethical functioning
3. Respect for Workers’ Rights and Welfare
4. Respect for Human Rights
5. Respect for Environment
6. Activities for Social and Inclusive Development

101 The corporate social performance financial performance link Sandra a Waddock; Samuel B graves strategic management journal (1986-1998); Apr 1997; 18, 4; abi/inform globalpg. 303.

Michael E. Porter\(^{103}\), provides insights and relevant examples of companies that have developed deep linkages between their business strategies and corporate social responsibility. Many approaches to CSR, businesses against society, emphasizing the costs and limitations of compliance with externally imposed social and environmental standards. CSR acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR Initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review was performed, a comparison was drawn and a strategy developed for competition with CSR Initiatives.

### 2.11 STUDIES ON CSR THEORIES OF DEVELOPMENT

Utting (2007)\(^{104}\) discusses the relationship between corporate responsibility and an equality\textbackslash equity approach to development. If such an approach were used to inform business strategy, then the responsibilities of business would include aspects of social protections, rights, empowerment and redistribution.

➢ The business-poverty framework

Kramer and Kania (2006)\(^{105}\) model that corporate responsibility is either defensive (protecting a company’s reputation) or offensive (burnishing the company’s

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\(^{105}\) Mark Kramer & John Kania - Spring 2006- “Socially Responsible Business changing the Game Leading corporations switch from defense to offense in solving global problems”-Stanford social innovation review.
reputation), but from society’s perspective, such a two dimensional model does not capture the variety of ways that business affects by poverty.

In their view, most companies view corporate responsibility in terms of vulnerability i.e as an external risk that needs to be managed with minimal investment. The defensive approach can also be used, to maintain the company’s reputation and to avoid legal liabilities, and is generally employed when companies are seeking to resolve problems of their own making. In contrast, the offensive approach can involve companies offering themselves as the solution, even if they had no part in creating the problem. It requires companies to exploit their full capabilities to find and implement solutions, and requires the company to do four key things

1. Pick the right issues- one that is important, timely, and that leverages the company’s core competencies
2. Establish concrete goals and report on progress, both inside the company and externally
3. Deploy the company’s key assets in addressing the issues, including, for example, its products and services, the relevant skill of its employees, industry expertise, and its infrastructure
4. Work in partnership with other sources.

They conclude offensive (corporate responsibility) can distinguish a company’s reputation but cannot protect it; defensive (corporate responsibility) can protect a reputation but cannot distinguish it.

➢ Business as solution

Hammond Hart, and Prahalad in their influential work on the ‘fortune at the bottom of the pyramid’ BOP emphasize that there are genuine commercial, market-based opportunities to be had by targeting the poor.
Salzmann et al (2005)\(^{106}\) conclude that the making the business case encounters two stumbling blocks

1. The complex web of parameters (e.g technology, regulatory regime, company visibility) and variables (e.g. Location industry country, time) that can affect outcomes.
2. The difficulty of detecting the impact of corporate responsibility, because, except in a small number of areas- notably, eco-efficiency and brand reputation- it tends to be marginal to business practices for most companies and industries.

➤ **Business impact on development**

Martin (2002)\(^{107}\) distinguishes between acts that are instrumental because they maintain or enhance shareholder value, and those are done for their own sake, which are therefore regarded as having an intrinsic value. He calls the ‘virtue matrix’ he divides instrumental acts between those that are done because they conform to norms and customs, and those that are necessitated by legal compliance. He divides intrinsically valuable acts between those that create social and shareholder value, and those that benefit society, but not shareholders.

John Blundell (2004)\(^{108}\) When it comes to issues vital to business, such as deregulation or liberalization, CSR advocates are uniformly silent, leaving one with the sense that the concept is nothing other than the ashes of the debunked and defunct view that the state should direct the economy.

As Kolk and Van Tulder (2006)\(^{109}\) show in the context of voluntary standards, a variety of pressures contribute to what is ultimately legitimized or


\(^{108}\) John Blundell Companies exist only to trade-nothing else.’ 25May 2005 http://www.iea.org.uk

ignored, and often what emerges in a sector conditioned morality that reflects a minimum level of expectation from civil society on the one hand, and a ceiling level acceptable to an industry on the other.

Waddock (2007)\(^{(110)}\) has argued that the defensive-offensive distinction is not comprehensive enough. She accepts that corporate responsibility can be a defensive response to crises and scandals, or a way in which to harness the power of business to meet societal needs. But she adds a third distinction, under which the company’s corporate responsibility purpose is to respond to concerns in society that arise from the very success of the company’s strategy.

The expectations (or criticisms) are directly related to the consequences of business implementing a system within which success is equated with:

1. Continual growth and expansion.
2. A focus on efficiency and externalizing costs wherever possible.
3. Corporate control or influence over resources, markets, customers preferences and employees.

➢ Business as development agent

Ruggie (2003)\(^{(111)}\) draws on Polanyi’s theory of embedded and disembodied economies to explain general shifts in the nature of the business society relationship. Corporate responsibility may be seen as a voluntary effort to realign the efficiency of markets with the share value and purposes that societies demand, and the markets, themselves require to survive and thrive.


2.12 STUDIES ON THE QUALITIES OF GOOD CORPORATE RESPONSIBILITY MANAGEMENT:

Peters’ Waltzing with the Raptors (1999)\(^{(112)}\) was one of the first of these, promising a practical roadmap to protecting a company’s reputation and since then, further titles have concentrated on particular advantages of corporate responsibility (e.g. risk management, the business case, enhanced strategy) and/or the needs of particular business functions (e.g. corporate responsibility for PR Professionals; Marketing).

‘The Guide to Best Practices in Corporate Social Responsibility’ a book targeted at mid level PR managers, features chapters on communicating corporate responsibility, building an integrated corporate responsibility strategy, demonstrating its value to senior management, working with stakeholders, managing crisis, Corporate responsibility reporting, and measuring corporate responsibility performance. Such books reveal a managerial orthodoxy that embraces much of corporate responsibility today, and it is reflected in various assessments of best practice. This orthodoxy comprises:

1. Particular tools and approaches- the ingredients of good corporate responsibility management.

2. Advice on execution- the qualities of that management

2.13 STUDIES ON THE CRITIQUES OF CORPORATE RESPONSIBILITY

David Henderson (2001)\(^{(113)}\) did not define what he meant by ‘responsible behavior’ although he listed eleven points that he thought were unwise for corporations to accept. His main points are listed below

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1. That the objectives of ‘sustainable development’, and the means to achieving it, are well defined and generally agreed.

2. That the contribution that a business directly makes to the welfare of society (or the planet) is to be viewed as largely independent of its profitability

3. That Corporate citizenship, which is now to be endorsed carries with it an obligation to redefine the goals of businesses, in terms of meeting the triple bottom line and pursuing social justice

4. The new planning, monitoring and review system should be introduced into business to ensure that they meet a range of often questionable environmental and social targets

5. That an array of ‘stakeholders’ should now be closely and formally involved in the conduct and oversight of businesses.

6. Society has conferred on businesses special privileges and benefits, in return for which each of them must obtain from it an informal ‘license to operate’ by engaging in good works that are not directly related to profitability

7. Society’s expectations’, which are not to be questioned and which have to be met if businesses are to earn and keep their ‘license to operate’, can be largely identified with the current demands made by NGOs, ‘ethical’ investment funds, and other radical critics of the market economy.

8. Grave environmental damage has been done, and is being done, as a result of economic activity in general and the profit-directed operations of companies in particular

9. The recent globalization has brought with (1) disproportionate gains to multinational enterprises, (2) ‘social exclusion’ everywhere, (3)’marginalization of poor countries and (4) a transfer of the power to act and decide from governments to multinational enterprises, so that the role and responsibilities of the latter now have to be conceived in more ambitious terms.
10. The progress within national economies and in the world as a whole is to be largely identified with the adoption and enforcement of ever more stringent and more uniform norms and standards, environmental and social, both within and across national frontiers.

11. It has become that duty of businesses to work with Governments, moderate NGOs and international agencies, in the name of improved ‘Global Governance’ and ‘Global corporate citizenship’ to realize such standards internationally.

**Michael Bryane (2003)**

studies that the CSR discourse appears to signal a new form of co-operation between Government, business, and civil society in the promotion of social objectives. Yet, left out of the discourse are all the difficulties and complexities which development theory has been debating for a century. The neo-liberal school stresses that adequacy of the incentives versus insurance model – yet fails to address important resource misallocations. The state led school emphasizes the balance between co-operation versus control exercised by the state- yet ignores important contestation of political power by international organizations, national Governments, and business interests. The third sector school notes the new potential for public engagement in policy making- but ignores the highly politicized and conflictual nature of that engagement. CSR is part of a larger transformation in that relation between government, business and civil society.

### 2.14 RESEARCH GAP:

All the above aforesaid studies have dealt with the corporate social responsibility (CSR) literature based on journal articles and books and book chapters. Various aspects of CSR have been reviewed, including the rationale for CSR, the stakeholder view of CSR amongst other theories, the reasons for the success and failure of CSR, the relationship between CSR and the firm’s financial performance. Studies on the Role of Communication and Reporting in CSR, Transparency and Disclosures, Different Levels of CSR, “Corporate Social Responsibility: Different

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from Philanthropy”, CSR as a means of maximizing profit through Brand Building, CSR -Benefits to business.

Both qualitative and empirical papers were part of the review. This review furthers the belief of the growing importance of CSR globally.

This review describes multilevel and multidisciplinary theoretical framework that synthesizes and integrates the literature at the institutional, organizational, and individual levels of analysis. But none of the above studies has dealt with the CSR Initiatives based on private limited companies, public limited companies and Government companies in India.

The present study takes into account 10 leading sectors in India for analysis and Company-wise analysis and sector-wise analysis is done for the past five years through primary and secondary data. The study tries to bring out their CSR Initiatives taken by Indian Companies.

This research gains its importance after the amendments in Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014. It divides the company on the basis of Sales, Net profit and Net worth into large companies, SME and other companies.