CHAPTER-III

REVIEW OF LITERATURE
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"Literature always anticipates life. It does not copy it, but moulds it to its purpose."

-Oscar Wilde-The Decay of Lying.

"The 21st century will be the century of the social sector organization. The more economy, money and information become global, the more community will matter."

-Peter F. Drucker, Founder of the Drucker Foundation

Several themes emerged from different studies: the relation between CSR and competitive advantage, the role of differences in institutional environments in framing stakeholder expectations regarding the propensity of firms to engage in CSR, a comparison of the social desirability of the strategic use of CSR versus "coerced" CSR, the role of economic, philosophical, and global corporate citizenship perspectives on CSR, and the evolution and influence of the academic literature on CSR etc. We conclude with a brief review of each study in the special issue and its importance for the Research. For the same purpose this chapter has been classified in to two parts:

[A] At National Level
[B] At International Level

[A]. AT NATIONAL LEVEL

Dave G.L. (1996) "Emerging Dimensions of corporate social Accounting Reporting in India (A Study of public and private Sector Companies in India). Department of Accounting JNV University Jodhpur has also examined the state of social reporting in India. He has selected 50 Companies from public sector companies and 50 companies from private sector companies. He observed that most
of the companies have prepared their social accounts on the basis of accounting principles and in the form of accounting statements as suggested in the models developed by Linowes and Abts. The social accounts have been presented in annual reports by way of supplementary information UN audited. He concluded that Turnover and Net worth are vital attributes of the companies, which also determine the size of the companies. These two attributes have a significant relation in the social disclosures of the companies. It was also observed those companies, which are large in size, can provide more funds for discharging social responsibility.

Human Resource Accounting has also been reported by some of the companies as supplementary information in the annual report unaudited. These companies have adopted basically Lev and Schwartz model for valuation of their human resources. Human Assets have been shown in the social Balance Sheet in the Asset side.

Pushpa Sundar (2000), a philanthropy researcher, wrote a book, “Beyond Business: From Merchant Charity to Corporate Citizenship” in which Sundar presented a synoptic view of Indian business philanthropy in the context of the economic, social, political and cultural developments in the country from the beginning of modern industrial development in the second half of the nineteenth century.

Sundar differentiates between charity, philanthropy, CSR and corporate citizenship, and claims to capture and present the shifts, from merchant charity to corporate citizenship in India, with CSR in between. Such shifts occurred over the nineteenth and twentieth centuries, as business responded to evolving societal needs and demands. Sundar highlights three distinctive features of Indian philanthropy. First, it is largely a story of Indian businessmen, as historically women did not play too important a role in business philanthropy. Second, it is a story of indigenous rather than expatriate business. Even though foreign businesses have had a major presence in India, their aim has been profit maximization rather than the development of the country. The exceptions are some TNCs that have been present in India over a longer period of time and which have become more or less “Indianized”. Third, as in most of Asia, philanthropy is largely a story of family businesses.
Despite these distinctive features, Sundar states that there are some similarities between the development of modern philanthropy in India and the West. Driving forces, such as religious beliefs and sentiments associated with capital accumulation, industrial wealth and the resultant social consequences, hold true for India as for countries in the West. Moreover, the corporate philanthropy vehicles in India, such as the trusts and foundations, closely resembled what had been the norm in Western countries and elsewhere.

Sharma A.k., Talwar Balbir (2002), making a research for “Corporate Social Responsibility: Modern vis-à-vis vedic approach” observes through his analysis, conceptual discussion and approach that CSR encompasses a wide variety of concerns such as ethical values in business, welfare of society, awareness, respect and protection of the natural and built environment as regular action that business can take to solve the problems being faced by the Society. CSR is an integral part of Vedic philosophy. Vedic philosophy emphasizes that those actions, which are coming from the core of heart, will provide the long lasting results. Veda advocates for minimum accumulation, mutual cooperation and maintenance of natural harmony. Veda reiterates non-centrality of money in human life, but for corporations money is the real nerve of business systems. Vedic economic philosophy is pure and focused on “Prosperity for all”. The present study attempts to critically evaluate the modern concept of CSR and enrich it with the path described by Vedic philosophy to attain the corporate excellence.

Dipankar (2003) analysis “Profits and Ethics-Why CSR makes business sense” and finds that CSR, in its true sense, is hard work and must be seen in conjunction with the basic functioning of the company. It must radiate outwards to the society from within the core efficiencies of the firm in order to strengthen them in a not-too-long-run. CSR, thus, self-consciously raises the stakes for itself and in doing so sets new targets and challenges that eventually impact the industry as a whole. For example pioneering milk cooperatives at Anand (Gujarat, India) with famous and most successful brand name “Amul” encourages dairy farming and animal husbandry in the region. Bill Gates' efforts in raising computer literacy will eventually help the software industry all around the world in general and
“Microsoft” in particular. Pharmaceutical concerns can set up public health clinics to better understand how people react to illness and then factor that knowledge into research and development.

Koli, Dr. L.N. (2003) had made a research and analysis for “CSR and Auditor’s role” in the corporate mechanism and he observed that there is a very significant role of an Auditing for CSR, so he also states that social statements must be prepared by the companies and the same should be in the prescribed format, the social accounts should be audited annually and auditor’s report in a prescribed format should be published in sustainability report of the company.

Verma, Jayendra, (2003) had made a research for the topic “Corporate Social Reporting Practices In India” (A Case Study Of Selected Companies In Manufacturing Industry) and he finds that it has now become important for companies to identify society’s changing need, to ascertain social priorities and to ascertain which business investment will yield economic return while satisfying those social priorities. In this context a company is expected not only to earn a good profit, but it is also considered to have certain obligation to the shareholders and society.

Kulshreshtha, Mrs. Preeti (2005) made a Research for the topic Corporate Governance in India (A comparative Study of Disclosure Practices in Private & Public Sector Enterprises) for which, the researcher took Private and Public Sector Companies in to consideration and made the comparative study for the same purpose and observed a common disclosure that Corporate, which Set higher Standards in shareholders & Society servicing achieve higher growth over the years.

Hazarika (2005) had made a research for the topic “Corporate Social responsibility and the oil industry Global experiences” he finds that Globalization has resulted in the proliferation of new laws and regulations that direct business activities to address diverse social problems. The long-term impact of these social policies is a sea change in the “rules of thumb” by which business is expected to operate in harmony with social environment. The firm's external environment
manifested in public policies and expectations is becoming a key factor in major strategic business decisions. In addition, change in social values and ideologies have tremendous implication for the role that business is expected to play in the society. Growing concern about the ethical dimensions by corporations has become a practice. In this scenario, it is no wonder that the attention of top management, Government and society are being directed towards corporate governance and corporate accountability.

Tyagi Dr. K. L.(2005) made a research for the topic “Economy” British welfare under influence, in which he states for ‘The Essence of Corporate Social Responsibility (CSR)’ The first approach of CSR has its origin in USA about seven decades ago. It is an obligation of decision-makers to take actions which protect and improve the welfare of society as a whole along with their own interests. Such decisions may affect environment, consumers and community. It was Peter Drucker who later emphatically argued that management should assume social responsibility. Management should consider the impact of every policy and action is seen upon the society, and to contribute to its stability, strength and harmony. He laid emphasis on “Quality of Product and customer service.”

Kumar, Prashant (2006): had made a research for the topic “An Analysis of Corporate Social Responsibility” Reporting Practices in Indian Private Sector for which he made the comparative analysis of CSR reporting practices between ‘Tata Motors’ and ‘Ashok Leyland’ and he Observes that Business depends on society for the needed inputs like money, men and skills. Business of corporate also depends on society for market where products may be sold, it also depends on society for market to raise funds in form of share capital, debentures and loans etc. thus, Business of corporate depends on the society for existence, sustenance and encouragement and being so much dependent, and corporate has definite responsibility towards society.

Sanjay J. Kapur says that ‘CSR also means leaving a Good Name behind’ he explains this sentence as below: Corporate social responsibility (CSR) over the years has been used by the corporate world as a cliché. However, there have been positive developments in the sector, which also show the growing
competitiveness to do better and different things. However, with CSR being practiced since ages doing good work not only means repaying the local communities, but also leaving a good name behind. While a business may not be as productive after some years or generations, good deeds make one memorable.

As per (SAROJ.K. PODDAR) 'Social Responsibility is not a Charity, It's a Duty' further he comments that, As far as India is considered, Corporate Social Responsibility (CSR) has been right there from the beginning. Corporate houses like the Tatas and the Birlas have built institutes for education, health and religion, without any selfish motives. Though this is an indicator of CSR being inbuilt in our system, today we see transformations behind the entire process. Earlier, Indian corporations were predominantly family- owned, so it was more of a desire by the families.

As per (S. K. Bhatia) 'The Social Responsibility of Business involves Ethics' he further comments that The Social Responsibility of business involves ethics which must be reflected in the philosophy of business organization. To be effective, a sound ethics must be recognized by the top management and reflected in the policies of the firm. Members should voluntarily accept Right leadership, integrity, proficiency, commitment to social values of a manager can change the expected behavior of individuals. Companies should provide mechanism for 'whistle blowing' as a matter of policy. Any employee becomes aware of unethical behaviour should be encouraged to report incident to his superior.

Dr. Abad Ahmed explains: Why Business Should Assume Social Responsibility and finds that responding to demands of society: As business gets larger, the public takes more interest in it, as it has greater impact on the community. Managers respond to public opinion so as to maintain public image of their company. If an organization does not respond, the society will either force it to do so through laws or society may no longer permit it to survive, e.g. safety of products, etc. The original purpose of corporations was to serve the public good. Longer-run self-interest of business: For example, (a) Concern for employees can harmonise with company's best interests, (b) Responsibilities to shareholders for attracting investment, and (c) Avoiding environmental pollution.
**Dr. Khan (2006)** was probably the first person in India to conduct a primary investigation into the perceptions of CSR among executives. Of the 41 senior executives interviewed at companies in Delhi and neighboring Ghaziabad, 98 per cent considered that CSR was relevant to business. It was also found that quality control and product improvements, as functions of CSR, were preferred over issues like urban renewal and development, or cultural and environmental activities. The other important areas in CSR, as perceived by Indian executives at that time, included employment and training, contribution to education, and air and water pollution. Khan’s other findings included mention of the constraints on CSR, such as competition and rising prices.

**Mayanka Rajesh (2007)** finds the following benefits of CSR:

01. CSR creates a ‘feel good’ factor about the company, which is increasingly instrumental in relation of talented professionals.

02. Social involvement of business would foster a harmonies and healthy relationship between the society and business to the mental benefit of both

03. Social responsibilities like Recycling, Reuse and Reduce waste 3Rs may have favourable financial effects.

04. Social involvement may create a positive image for the company that may help in attracting customers, efficient personnel and investors.

As per **Krishna (2007)** ‘India’s socialist policy agenda of equitable distribution and the curbing of the concentration of wealth in the hands of a few industrialists, along with an unwillingness on the part of businesses to abide by such principles, led to many corporate malpractices. He observed that in the late 1960s and early 1970s the government set up several enquiry committees to investigate corporate malpractices. In 1964, the Mahalanobis Committee (Government of India 1964) reported that despite government policy and rules, significant increases in the concentration of wealth occurred between 1951 and 1958. Similarly, the Monopolies Inquiry Commission of 1965 (Government of India 1965) reported that just 75 business houses in India controlled 44 per cent of the total paid-up capital and 47 per cent of the total assets of all non-governmental
and non-banking companies. This report also cited several cases of private businesses, including TNCs that had been indulging in restrictive trade practices.

[B]. At International level

Drucker P.F. (1954) The Founder of the Drucker Foundation, had made a research for ‘The Practices of Management’ he observed that “The Enterprise is an organ of society and its actions has a decisive impact on the social scene. It is thus important for management to realize that it must consider the impact of every business policy and business actions upon society. It has to consider whether the actions are likely to promote the public good, to advance the basic belief of society, to contribute to its stability, strength and harmony.

Friedman (1962) Researchers belonging to other school of thought concern themselves with the “macro level” of analysis. They favour that the Government, not individual companies, should establish and achieve a country’s social goals. Milton Friedman and Theodore Levitt are important names favouring this approach. Friedman based his arguments on two principal contentions, one economic and other legal. From the economic perspective, he asserted that if managers spend corporate funds on projects not intended to maximize profits, the efficiency of the market mechanism will be undermined and resources will be misallocated within the economy. On the legal side, Friedman contended that because managers are legal agents of stockholders, their sole duty is to maximize the financial return to them. Hence, if they spend corporate funds for social purposes, they are essentially stealing from the stockholders.

R. Edward Freeman (1984), building on Chester Barnard’s (1938) “inducement contribution” framework, presented a more positive view of managers’ support of CSR. Freeman’s stakeholder theory asserts that managers must satisfy a variety of constituents (e.g., workers, customers, suppliers, local community organizations) who can influence firm outcomes. According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation. Stakeholder theory implies that it
can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because, absent this, these groups might withdraw their support for the firm.

Barette (1997) had opted “Managing energy company security in Latin America” (The case of Oil & Gas industry) as topic area and she argues that good community relations can even help tackle the main political risks in the region. She suggests constructing a stake holding society by giving the local community an interest in the success of the project through a comprehensive and well-organized community relations programme.

Johasson, Ellen & Larsson, Paullina (2000) had analysed and evaluated both the external circumstances of different South East Asian NIEs and the internal circumstances of subsidiaries present in the area and their mother companies. They approached companies that were present in a suitable country, that had undertaken a required degree of CSR, and he observes that it is more difficult to measure and report on the implications of CSR than the implications of economical activities. The reasons are that the opinions about CSR are very subjective, and that there are no international or commonly accepted standards on the issue. Furthermore, it might take years until any result, positive or negative, will be visible and therefore measurable at all, since the activities are supposed to be initiated with a long-term perspective in mind. It is nevertheless essential that the company can find appropriate tools for monitoring, measuring, and reporting on CSR, since that for instance will help companies convey how their business is being managed; raise the awareness of the issues both inside and outside the company; and therefore facilitate the engagement and enhance the relations with and the understanding among the external stakeholders as well as within the company.

Williams, Me and Siegel (2001). These authors outlined as simple model in which two companies produce identical products, except that one firm adds an additional “social” attribute or feature to the product, which is valued by some consumers or, potentially, by other stakeholders. In this model, managers conduct a cost/benefit analysis to determine the level of resources to devote to CSR
activities/attributes. That is, they assess the demand for CSR and also evaluate the cost of satisfying this demand.

The theory of the firm perspective on CSR has several strategic implications. The first is that CSR can be an integral element of a firm’s business and corporate-level differentiation strategies. Therefore, it should be considered as a form of strategic investment. Even when it is not directly tied to a product feature or production process, CSR can be viewed as a form of reputation building or maintenance. A second strategic implication of a theory of the firm perspective is that one can apply the RBV logic to CSR, in the sense that it is possible to generate a set of predictions regarding patterns of investment in CSR across firms and industries.

A key conclusion of the McWilliams and Siegel (2001) paper was that, in equilibrium, firms that engage in CSR will earn the same rate of profit as firms that do not engage in CSR. We refer to this finding as the neutrality result.

ISO (2002) Corporate social responsibility (CSR) is fundamentally an ethical concept. It involves changing notions of human welfare and emphasizes a concern about the social dimensions of business activity that have a direct concern with quality of life in the society. The concept provides a way for business to concern itself with social dimensions and pay some attention to its social impacts. The word “responsibility” implies that business organizations have some kind of obligation towards the society in which they function to deal with social problems and contribute more than just economic services. The Strategic Advisory Group on CSR of International Organization for Standardization (ISO) describes it as “a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, community and society.”

Carroll and Buchholt (2003), had analysed for Business Society, Ethics and Stake Holder Management for which the Global Scenario was taken by him and he examined and observed in his model (Carroll’s four part model) that the primary responsibilities of a firm are economic and legal. It must produce the goods and/or services that society wants and in a lawful manner and must sell them at a
profit. But still it has ethical as well as discretionary bindings. Carroll opines that to the extent firms fail to acknowledge discretionary or ethical responsibilities, society will assert and bring them under legal framework before that happens, it is advisable that corporations understand and perform social activities voluntarily.

Ronald, R. Sims (2003) had accomplished an research analysis for “Ethics and and Corporate Social Responsibilities” and states that CSR requires, The Continuing Commitment by Business to behaving ethically and contributing to economic development while improving the quality of life of the work force and their families as well as of the Community and Society at large.

(Leonard and Mc Adam, 2003): States as per their disclosure through their Magazine for Corporate Social Responsibility” that “The pursuit of economic growth does not necessarily lead automatically to social progress. In many cases it actually leads to a deteriorating physical environment, an unsafe workplace, needless exposure to toxic substances on the part of the workers and consumers, discrimination against certain groups in society, urban decay, and other social problems”. Justice Kuldeep Singh, a judge of Supreme Court of India, while ordering the closure of more than 700 industrial units in Delhi which were actively harming ecological balance and had virtually converted river Yamuna into a sewer, observed that no one can allow economic progress and growth at the cost of ecological imbalance. As a result, corporate social responsibility (CSR) has become increasingly important in the modern era.

Porter and Kramer, (2006), had made a research for the topic “Strategy and Society, The Link Between Competitive Advantage and Corporate Social Responsibility) (Defining Corporate Social Responsibility) He observed and declared that More than 64% of the largest multinational corporations are publishing CSR information either as part of their Annual Reports or as a separate document. This highlights the increased significance attributed to sustainability reporting and corporate transparency. However, CSR reporting alone does not determine corporate favorability; performance measurement of business externalities is the true indicator of social impact. Thus, in order to strengthen trust
in the community, enhance brand and corporate reputation, and increase goodwill, organizations need to choose the right metrics to measure, and guidelines to report their CSR initiatives. Most prominent amongst the reporting guidelines is the Global Reporting Initiative’s Sustainability Reporting Guidelines.

Milton Friedman (2007) and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since (in their view), only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is incongruent with capitalism and are in favor of neoliberalism argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

Denmark's law on CSR. 16 December (2008), the Danish parliament adopted a bill making it mandatory for the 1100 largest Danish companies, investors and state owned companies to include information on corporate social responsibility (CSR) in their annual financial reports. The reporting requirements became effective on 1 January 2009. The information shall include:

- information on the companies’ policies for CSR or socially responsible investments (SRI)
- information on how such policies are implemented in practice and
- Information on what results have been obtained so far and management’s expectations for the future with regard to CSR/SRI.

CSR/SRI is still voluntary in Denmark, but if a company has no policy on this they must state information to that effect explicitly in their annual financial report.
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