CHAPTER 2

Conceptual Dimensions of Corporate Social Responsibility (CSR)
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2.1: Introduction

There is a symbiotic relationship between the society and business. Business draws all the resources from the society. Shocker and Sethi\(^{75}\) have advocated that business puts its effort to justify its legitimacy and commercial relevance to the society on the basis of traditional conventions, but many are there who express displeasure and dissatisfaction over the performance of the business in fulfilling the needs and expectations of the society. Now a days, a mechanism named Corporate Social Responsibility (CSR) has been in place as an extension of traditional financial reporting system and the same portray what activities other than meeting the needs and expectations of the shareholders are being done by the business during the statutory financial reporting year and it is the basis of corporate social responsibility. Corporate Social Reporting is becoming voluminous day by day along with the complexities and new challenges of the business towards the upliftment causes of the society.

Along with volume of reporting, complexities have also been increased (Deegan and Gordon)\(^{76}\). According to Shocker and Sethi, there should be a 'give and take' relation for both the business and society for mutual growth and social well being respectively. In order to achieve a congenial relation between the business and the society, it is necessary to establish congruent understanding between social values in one hand the purpose of business on the other\(^{77}\). It is imperative to mention here that the term 'business' refers to the organizations engaged in production and distribution of goods and services for the purpose of consumption of the society. The companies are to give voluntary disclosures along with statutory disclosures for the stakeholders having direct or indirect interest in the business i.e. commercial operations of the

\(^{75}\) A. D. Shocker and S. P. Sethi (1974) have a significant contribution in their seminal work 'An Approach to incorporating social preferences in developing corporate action strategies'. In this context, the work of S. P. Sethi (Ed), *The Unstable Ground: Corporate Social Policy in Dynamic Society*, Melville, Los Angeles, CA, PP. 67-80 are also worth for references.

\(^{76}\) C. Deegan and B. Gordon (1996) contributed an academic work, 'A Study of the environmental disclosure practices of Australian Corporations', *Accounting and Business Research*, vol. 26, pp.187-199 where they have dealt with environmental reporting a part of CSR.

\(^{77}\) J Dowling and J. Pfeffer (1975) expressed their opinions in 'Organizational Legitimacy: Social values and organizational behaviour', *Pacific Sociological Review*, Vol. 18, no. 1, pp. 122-136, that social values and organizational behaviour are complementary to each other in order to do good for the society by business.
companies concerned. This chapter is devoted to offer a picture of conceptual dimensions of corporate social Responsibility (CSR). This chapter deals with definitional aspects of CSR in addition to highlighting the essence of various theories related to the cause-effect of CSR practices.

2.2: Definitions of CSR

The conceptual and operational dimension of CSR emerged in the 20th Century but it becomes a discipline of serious study during last 65 years (Carroll). H. R. Bowen (1953) is known as the father of CSR for his famous work on Social Responsibility. Bowen is the first learned personality who gave a look of academic seriousness to CSR in his book, 'Social Responsibilities of Businessman'. According to Bowen, Businesses are obliged to the society for the values and goals of the society for which business exists in the commercial world. Bowen is of the view that CSR is correlated with economic aspects of social welfare and social well being. In this connection views expressed by Davis is that social responsibility goes beyond the economic gains in terms of profit of a company.

Davis is of the opinion with regard to social responsibility that "Businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (p. 70). Views of Davis on CSR can be seen from three angles and they are firstly obligation of business for bringing about economic development, secondly social development and thirdly human development. People is the most precious asset of the society and it can only contribute to the cause of other two dimensions i.e. socio-economic development. A Company or corporation is void in absence of quality people ware. People can think, people can innovate and only people can create wealth of the shareholders. In simplicity, only people can serve the stakeholders of the corporations. David further says in his 'Iron Law of Responsibility' that avoidance of social responsibility leads to the gradual erosion of social power of business. The definition of CSR

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80 ibid, Understanding the social responsibility puzzle: What does the businessman owe to society? *Business Horizon*, 10(4), pp. 45-50
given by McGuire\textsuperscript{81} is worth mentioning here. McGuire is perhaps the first personality in the discipline of CSR who stated that the theoretical concept of social responsibility beyond economic and legal obligations should include community welfare and education and on this foundation, Davis and Blomstrom\textsuperscript{82} defined social responsibility as "a person's obligation to consider the effect of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In doing so, they look beyond their firm's narrow economic and technical interests. It is again the Committee for Economic Development (CED) in 1971 attempted to offer another important definition of CSR. The CED defined CSR in three ways and firstly, CSR includes economic responsibility, secondly it emphasizes on social value and thirdly it opines the ways and means that a company should engage in improving the society as a whole. T. M. Jones\textsuperscript{83} defined CSR as "the notion that a corporation has an obligation to constituent groups in society other than the stakeholders and beyond that prescribed law and union contract. Two facets of this definition are critical. Firstly, the obligations must be voluntarily adopted and behavior influenced by the coercive forces of law or union contract is not voluntary. Secondly, the obligation is broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers and neighboring communities. According to Lewis\textsuperscript{84}, CSR activities include taking care of the environment, providing community service, making charitable contributions, ensuring employees welfare and wellbeing and enhancing the profit and profitability of the corporations.

As on date, many definitions of CSR have been emerged\textsuperscript{85} but there is hardly any consensus about a single definition\textsuperscript{86}. Wood\textsuperscript{87} advocated that it does not matter much what definition of

\textsuperscript{81}J. B. McGuire(1967) says that idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extended beyond obligations. Business and Society, New York, McGraw-Hill(p. p.144.


\textsuperscript{83}T. M. Jones (1980), the notable social scientist has given this comprehensive definition of CSR in his work Corporate Social Responsibility Revisited and Redefined, California Management Review, 22(2), pp. 59-67

\textsuperscript{84}S. Lewis (2003) has given a simple but highly relevant definition of CSR in his work , 'Reputation and Corporate Responsibility", Journal of Communication Management, 7(4), pp. 356-394


\textsuperscript{86}S. L. Esrock and G. B. Leichty (1998) has expressed in his work the stated views , 'Social Responsibility and Corporate Web Pages: Self presentation or Agenda - setting? Public Relations Review, 24(3), 305-319
CSR is used, it is based on the issue that business and society are interwoven, rather than distinct entities. Wan Saiful Wan Jan is of the view that CSR has no clear cut definition and the same is based on a misunderstanding of concept. Yet CSR is an important subject that needs to be examined to arrive at a unified definition of CSR from the perspectives of different stakeholders and types of companies. He further says that majority of CSR definitions are based on the practice of the corporate world belonging to the developed countries and there is limited research that examines CSR perspectives from the viewpoint of developing countries. Milton Friedman advocated capitalistic view on CSR when he says that there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game which is to say, engages in open and free competition without deception or fraud. Milton opines that the business should make profit in legal ways and fraud or any mischievous means should be avoided. The relevance of CSR is absent in the obligation of the corporations. A. B. Carroll is the pioneer in the field of CSR and he prescribed four dimensions of CSR and they are economic dimension, legal dimension, ethical dimension and philanthropic perspectives. Bowen and Carroll are the primary and principal contributors to the modern concept and definition of CSR. They advocated that society is the owner of the resources and business exploits such resources for earning economic benefits and therefore it must share the same with the society for ensuring social wellbeing besides economic development of the business. A. B. Carroll provided the most relevant argument that

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87 D. J. Wood (991) is of the view that business and society are interrelated entities in his work 'Corporate Social Performance Revisited', Academy of Management Review, 16(4), 691-718

88 This paper aims to provide a working definition of corporate social responsibility (CSR). It begins by describing how the lack of a widely agreed definition contributed to misunderstandings and cynicism towards the concept itself and argued that hence the need for a working definition. The paper then goes on to divide current literature on CSR, and current business practices, into two main categories depending on the way CSR is perceived—as an ethical position or as a business strategy. A brief overview on how CSR is practised in the real business world is also presented. The paper describes how practitioners seem to be practising CSR despite the lack of a universally agreed definition. Subsequently, based on the ongoing academic debates on CSR and on examples of what is happening in the real business world, the paper concludes with a proposed definition that reconciles ongoing academic debates with practice. Defining corporate social responsibility (PDF Download Available). Available from: https://www.researchgate.net/publication/229578267_Defining_corporate_social_responsibility [accessed Apr 21 2018].

89 Milton Friedman (1970) advocated that 'the Social Responsibility if Business is to increase its profit published in the New York Times Magazines, P 32-33, 122, 126 and many stalwarts have differed from this view over the years.

90 A. B. Carroll's academic contribution, ' A Three Dimensional Conceptual Model of Corporate Performance', The Academy of Management Review, 4(4), 497-505 may be referred to for further details.
CSR is concerned with going beyond the legal framework meant for day to day commercial functions of the business.

The CSR besides law should be concerned with economic, ethical and discretionary categories of functions and economic performance of the business. This view was aptly supported by Aupperle et al. Carroll later desired to depict four dimensions of CSR in a pyramid which is known as the Carroll's Pyramid of CSR. In simplicity, a company is regarded as socially responsible when it is able to earn profit, abide by the law and order of the society, engages in ethical dealings and behaviour and gives back to the society through philanthropic means (Carroll). Hemphill explained the four elements of CSR and he says, to make profit is economic responsibility, to obey law is legal responsibility, to follow ethics in day to day dealings is ethical responsibility and finally to be a good corporate personality in its relationship with its stakeholders is philanthropic responsibility. Windsor is of the view that economic and legal responsibilities are socially necessity, ethical responsibilities are socially expected and philanthropic responsibilities are socially desired. Interest of various stakeholders directly or indirectly associated with the business of a company are given due importance under the definitions of modern CSR. Perrini raises a question as to what theory should be concentrating on CSR and answer to such question is that theory and research on CSR should be based on stakeholder theory. It is pertinent to mention here that in July 2001, the European Union presented a Green Paper whose basic purpose was to promote an European Framework for Corporate Social Responsibility where CSR was defined as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with the stakeholders on nothing other than voluntary basis. Environment protection out of climate change has

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received a prominent room in the CSR in recent times and the Paris Convention\(^96\) held during November 30 -December 12, 2015 is a landmark episode in sphere of CSR.

The French President Francois Hollande summed up, "In Paris, there have been many revolutions over the centuries. Today it is the most beautiful and the most peaceful revolution that has just been accomplished-a revolution on climate change." In India, the Companies Act, 2013 contains and includes many aspects of CSR as a part of corporate obligations and among them, rural development, basic education, health and sanitation, poverty elevation etc are the principal issues that are to voluntarily be addressed by the corporate. Therefore, to conclude, Carroll's Pyramid is the foundation of modern CSR definitions. During last 65 years, concept of CSR has evolved and the same is under considerable practice in the developed countries and developing countries are also following the footprints of the same.

2.3: Operational Terms and Phases

2.3.1: Corporate

The term 'Corporate' is originated from Latin Corporates. It implies an entity for functioning as a commercial organization whose objective is primarily to earn profit. It is used as noun by convention and the synonym of corporate is company or corporation. A corporate is a corporation or group of people authorized by law to function as a single entity.

2.3.2: Social

It is relating to society or organization. It needs companionship and best suited to living in communities. The word 'Social' comes from Latin Socius meaning friend. It relates to human society and it is a model of organization. Synonyms of Social include companionable, convivial, gregarious etc.

2.3.3: Responsibility

It means obligation as well as accountability. The state or fact of having duty to deal with something or having control over someone or something. It is a duty or obligation to

\(^{96}\) 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) took certain prominent decisions with regard to climate change and environment protection and that became one of the important aspects of CSR Today.
satisfactorily perform or complete a task. Responsibility means the state of being responsible, answerable or accountable for something within one's power, control or management. Responsibility comes from Latin Responsus which means to respond. A corporation has a responsibility to those groups or individuals that they can affect i.e. stakeholders and the society at large.

2.3.4: Corporate Image

It is a mental picture that springs up at the mention of the names of the companies. It is a composite psychological impression that continually changes. It is the reputation that describes the manner in which a company, its activities and products and services are perceived by the outsiders.

2.3.5: Environmental

It refers to the surrounding of things, conditions, ecology, air, water, minerals, organisms and other external factors surrounding and affecting a given organism at anytime.

2.3.6: Ethics

It is relating to moral principles or branch of knowledge dealing with those pertaining to or dealing with morals or the principles of morality. It is pertaining to right or wrong in conduct. being in accordance with the rules or standards for right conduct or practice. Ethical comes from Greek word ethos meaning thereby moral character and describes a person or behavior as right in the moral sense-truthful, fair and honest.

2.3.7: Philanthropic

This term implies charitable, generous, benevolent, humanitarian, public spirited, altruistic, magnanimous, munificent, bountiful, caring, compassionate, solicitous, selfless, humane, kind hearted etc. Love for mankind is philanthropy. Philanthropic is adjective and philanthropy is noun.
2.3.8: Corporate Citizenship

Carroll (1991) explained a good corporate citizen, with philanthropic responsibility in the fourth rung of his Pyramid. Corporate citizenship is defined as a personality that practice in giving charity and doing other social works. Corporate Citizenship is nothing but a discretionary corporate responsibility. I company may be said to be a good corporate citizen when it sells its products and services at normal profit and pays tax to the exchequer on its earnings. A Company cannot become a citizen of a country as a natural person under the given constitutional law but it is compared to be a natural citizen of a country when it abides by the law of the land and practices in justice and fairness. Waddock ⁹⁷ explained that corporate citizenship as a metaphor and underlines the membership of company in society. Logsdon and Wood ⁹⁸ advocate that the concept of CSR is going to be transforming into the phenomenon of corporate citizenship in due course of time.

2.3.9: Corporate Social Performance

Wood (1991)⁹⁹ defined Corporate Social Performance (CSP) as the configuration in the business organization of principles of social responsibility, processes of response to social requirements and policies, programmes and tangible results that reflects the companies relation with the society (p. 693). The phrase CSP has been used as a synonym of CSR or any other discourse between the business and the society, (Cochram and Wood) ¹⁰⁰. The CSP concept was first explained by A. B. Carroll ¹⁰¹ as a three dimensional integration of CSR, corporate social responsiveness and social issues.

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2.3.10: Legal

Legal is what is in conformity with the letter or the rule of the law as administered in courts. Legal implies something lawful and it is permitted by the law of the country.

2.3.11: Economic

The theories, principles, and models that deal with how the market process works. It attempts to explain how wealth is created and all the economic activities are related to economics and earning profit out of production and selling of goods and services in the markets. J.-B. Say, distinguishing the subject from its public-policy uses, defines it as the science of production, distribution, and consumption of wealth studies human behavior as a relationship between ends and scarce means which have alternative uses. An organization's main activity is economic activity by dint of which it survives, grows and develop and sustain for future.

2.3.12: Social Responsiveness

Social responsiveness is the degree in which a business responds to the social pressure created by the society o business. It is the capability and capacity of a company to bear social pressure for its development. Carroll (1979) expressed that social responsiveness and CSR are two distinct concepts and one is not substitute of other. The former is the responding capacity and the later one is the obligation to do good for the society.

2.3.13: Sustainable Development

It refers to such development that meets present requirements without compromising the ability of future generations to meet their own needs. (World Commission on Environment and Development, 1987 and cited in Brundtland. Sustainability is related to philanthropic act and according to this philosophy, companies should play the role of a partner in the communities and not that of simply profit generator.

102 J. B. Say (1803) is the proponent of saying that supply creates own demand and is one of the famous classical economists.
103 G. H. Brundtland (1987)'s work, 'World Commission on Environment and Development, 'Our Common Future', pp. 8-9 contains the referred part and the same may be referred for further details.
2.3.14: Education

Education is the process of acquisition of learning in a particular branch or discipline. Facilitating education is one of the philanthropic activities of a business organization.

2.3.15: Poverty Alleviation

Oxford Dictionary defines poverty as the state of being extremely poor wherein one lacks the basic human needs such as food, water, sanitation, clothing, shelter, health care and education. Poverty alleviation is the process of obtaining freedom from poverty. Poverty alleviation is a philanthropic act of the business and it is imperative to share its resource for removal of social deprivation in the form of poverty.

2.3.16: Customer

Customer is somebody who buys the goods and services produced and distributed by a company against consideration which is known as price. Price includes cost of production and profit for the entrepreneurs. It is ethical duty of a company to supply goods and services in terms of standard quality and reasonable price. A business cannot sustain both in short run as well as long run if the customers shun a business because of its unethical behavior.

2.3.17: Investors

Capital is one of the important factors of production and no business is possible in absence of capital. Capital for a business or a company is supplied by the investors against a hope to earn reasonable rate of return on such investment which should in case be less than the opportunity cost. Investors are one of the major stakeholders of a company. Investors normally earn dividend in case they are shareholders and interest when they are in the status of debenture holders.

2.3.18: Stakeholders

Stakeholders represent a group of people who have direct or indirect interests in the day to day operations of a company. The commercial and economic performance of the company affect the interests of the stakeholders since they have stake in the sustainable existence of the business. Stakeholders of a company include investors, debenture holders, employees, creditors, customers, government, trade unions and so on. Investors want return on investment, debenture
holders want timely payment of interest, creditors want timely honors of financial obligation by
the company, customers want quality good and service at a reasonable and competitive price,
government is interested in tax and finally trade union want better working conditions with good
incentives in reorganization of their performance. The theory and essence of stakeholders
interests is the foundation of CSR.

2.3.19: Health and Health Care

Only a healthy nation prospers and only a healthy employee can perform better. Providing
healthcare and medical delivery system comes under the fourth rung of the Pyramid of Carroll.
Developing health centers and hospitals for the financially weaker section of the society is a
philanthropic activity and no business should ignore it.

2.3.20: Community Welfare

The primary social work of a company is concerned with welfare of the community to which it
belongs to. For overall growth, survival and development of a business the support and co-
operation of the community is a must. The wellbeing of the community is the responsibility of
the business. It should provide housing, medical assistance and basic education to the community
as a whole in order to discharge its CSR.

2.4: Theoretical Constructs

According to the European Commission Report, 2001 there is a theoretical explanation as to how
ethical issues into business practices and interaction with the stakeholders is an important
construct in the essence of CSR. Freeman\textsuperscript{104} views an individual or a group of individuals as the
stakeholders and CSR theory aims at examining how it can meet the interests of the stakeholders.
Stakeholders include customers, local communities, employees, suppliers and
shareholders\textsuperscript{105}. There are many theories of CSR developed
over the years and they include Carroll's Four Dimensional Theory, Carroll's Three Dimensional

\textsuperscript{104} R. E. Freeman (1984 & 2004)' Work , ' Strategic Management: A Stakeholders Approach and a Stakeholder
Theory of Modern Corporations in Boston MA, Pitman and T. L. Beauchamp & N. E. Bowie (Eds.), Ethical Theory
and Business, pp. 55-64), Englewood Cliffs, New Jersey, Pearson Education respectively explain the relevance of
stakeholders theory of CSR in vivid details.

\textsuperscript{105} C. Fontaine, A. Haarman and S. Schmidt (2006)'s Stakeholder Theory, Retrieved from http://w.w.w.edalys.fr and
importance of stakeholders was highly acknowledged by the authors in their work.
Theory, Stakeholders Theory, Legitimacy Theory, Agency Theory, Coase's Theory, Social Perspective Theory, Resource Dependence Theory etc. Our objective is offer a bird's-eye view on each of them in order to understand the philosophy of CSR.

2.5: Carroll's Four Dimensional Theory and Carroll's Pyramid Of CSR

A. B. Carroll argued that there are four dimensional responsibilities of CSR and it is based on Economic Responsibility, Legal Responsibilities, Ethical Responsibilities and Philanthropic or Discretionary Responsibilities. Thomas A. Hemphill\textsuperscript{106} has given a lucid explanation on each of the responsibilities in his work, "Corporate Citizenship: The Case for a New Corporate Governance Model", published in \textit{Business and Society Review, 109(3)} and Economic Responsibilities are concentrated to make profit from the business of the company and it is placed at the bottom of the Pyramid. Secondly Legal Responsibilities make the firm obey the law of the land within whose jurisdiction, business is carried out and it is placed at the second rung of the Pyramid from the bottom. Third responsibilities i.e. Ethical Responsibilities want the company to be ethical and follow the essence of Ethics in its day to day commercial operations. Finally, Philanthropic Responsibilities i.e. Discretionary Responsibilities advocates for being a good corporate citizen. It is again D. Windsor\textsuperscript{107} explained the societal dimensions of the CSR theory of Carroll. According to Windsor, Economic Responsibilities are essentially to be fulfilled and the same is applicable to the Legal Responsibilities. However, Ethical Responsibilities for fulfillment by business are socially expected and finally Philanthropic Responsibilities are not mandatory but socially desirable.

\textsuperscript{106} Thomas A. Hemphill was a Ph.D. Candidate in Strategic Management and Public Policy in the Department of Strategic Management and Public Policy, School of Business, George Washington University, USA in 2004 and the Ph.D. topic was "Corporate Citizenship: The case for a New Corporate Governance Model". The Ph.D. work was published in \textit{Business and Society Review} Vol. 109(3) pp. 339-361 (2004).

2.6: Carroll's Three Dimensional Theory

A. B. Carroll's pyramid of four responsibilities has been in use of many researchers over the years(Swanson). There was no difference among the researchers about first three responsibilities of the companies but they were not unanimous about the ethical responsibilities. Under the given circumstances, Carroll along with Schwartz revisited the original form of CSR Pyramid in terms of corporate social performance and they created an alternative CSR Model called "The Domain Model of CSR". The primary criticism of four categorization of CSR by Carroll was that it failed to signify the overlapping nature of four dimensions of CSR.

Moreover, Schwartz and Carroll were unanimous to advocate that philanthropic responsibilities are concerned with all the remaining categories of CSR since these activities are voluntary in nature and therefore should not be considered to be the responsibilities or obligation. Responsibilities means something that have to be performed otherwise the same shall attract some penalty or punishment. Whereas, non performance of philanthropic activities do not become any binding on the doer. Three dimensional or domain model contains three primary responsibilities and they are Economic Responsibilities, Legal Responsibilities and Ethical Responsibilities and the fourth one was merged with economic and ethical categories.

2.7: Normative Stakeholders Theory

Normative stakeholder theory focuses that theoretical procedure of day to day operations is linked with the management of a company (Donaldson and Preston). Both the researchers have considered this as the core aspect of stakeholder theory and have identified the principal objectives of normative theory as determination of responsibilities of the company management with regard to stakeholders' and the rationale why companies should take care of the stakeholders' interest than that of shareholder interest. Stakeholder theory is based on the understanding that companies should treat all its stakeholders fairly and equitably and by doing

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108 D. L. Swanson (1995)'s work, 'Addressing Theoretical Problems by Reorienting the Corporate Social Performance Model,' Academy of Management Review, 20(1), 43-64 contains how the four dimension model of CSR by Carroll was used by the researchers.
so it can bring about improvement in their performance in the market place (Weiss)\textsuperscript{111} and thereby secure their future.

2.8: Legitimacy Theory

Doctrine of law and politics is the genesis of Legitimacy Theory. Legitimacy Theory acted as a measure of right or wrong uses of power (Sutton)\textsuperscript{112}. Legitimacy is an attribute that legalize the action of an individual, a corporation or even a family. It is a legal phenomenon. Sutton (1993, p. 2) again stated that' according to (primarily) western political ideals, power is legitimate when it is granted by the consent of the governed (tacit or open, by some process of political selection) or by some contractual agreement. In some cases, it can be legitimized by both means. The foundation of Legitimacy Theory is based on the premise that a company agrees to perform different socially desired activities against the return of its sustainability, survival and existence under lawful situations. A company is dutiful to disclose necessary social information for the purpose of goodness of the society and this an attribute of a good corporate citizenship. In legitimizing the socially desirable activities, a corporation hopes to ultimately justify its persistent existence (Lehman)\textsuperscript{113}.

2.9: Agency Theory

Agency Theory advocates that shareholders interest is governed and looked after by the paid employees in different ranks and files. It is based on the premise of divorce and control. The investors in terms of shareholders are principals and the employees act as their agents. There is contractual relations between the shareholders and the employees and both are obliged to each other in the process of securing financial and other interests of them. It is the responsibility of the company to secure the interest of the agents and the agents are morally and legally responsible to take care of the interest of the shareholders.

\textsuperscript{111} J. W. Weiss (2008), work, 'Business Ethics: A Stakeholder and Issues Management Approach,' South-Western Publishers contains that once stakeholders are treated fairly and equitably, business would automatically receive wider recognition in the commercial world and shall grow in future.
\textsuperscript{112} B. Sutton (1993) in his seminal work, 'The Legitimate Corporation: Essential Readings in Business Ethics and Corporate Governance', Blackwell Press advocated that law is the philosophy that binds the society in functioning in right path. Page 1 of his work contains the relevant theme.
\textsuperscript{113} C. Lehman (1983) explained this in his work 'Stalemate in Corporate Social Responsibility Research' American Accounting Association Public Interest Section, Working Paper
2.10: Coase's Theory

1937 is a landmark year when Ronald Coase\textsuperscript{114} contributed to transaction cost theory. According to this theory, a company is responsible to transact in the market fairly and reasonably. More particularly, it should operate on constant return to scale rather than relying on increasing return to scale. Coase is of the view that the market may not be in the control of the company but the allocation of resource is within the scope of the action of the company and therefore it should aim at reasonable profit and not profiteering.

2.11: Social Perspective Theory

Social Perspective theory is based on the foundation that a business is to function within the four walls of the rules, custom and habits framed by the society. Management of interests of the stakeholders is guaranteed by the Social Perspective or Contract Theory. Social contractual theory advocates that suppliers, customers and other people having direct or indirect dealings based on contracts with the company should be satisfied in order to ensure overall growth and development of the company. Business has to take care of the needs of the society and its well being and in this respect, McKinsey's 2012 study report is relevant to refer\textsuperscript{115}.

2.12: Resource Dependence Theory

Pfeffer and Salanick\textsuperscript{116} is of the view that Resource Dependence Theory entitled "The External Control of Organizations: A Resource Dependence Perspective" gained importance since 1970s. Resource dependence theory deals with strategic management aspects concerning production and distribution of goods and services at an agreed consideration with the suppliers of resource.

\textsuperscript{114} Ronald Coase is best known for two articles in particular: "The Nature of the Firm" (1937), which introduces the concept of transaction costs to explain the nature and limits of firms, and "The Problem of Social Cost" (1960), which suggests that well-defined property rights could overcome the problems of externalities.

\textsuperscript{115} In 2012, McKinsey & Co. conducted a study of the changing face of businesses in the United States. The study found that 84 percent of corporate executives and small business owners believe society as a whole expects corporations to take an active role in social, political and environmental issues. Not only do consumers expect businesses to obey the law, but they also expect businesses to reinvest in their communities and to help struggling people and nonprofit organizations in meeting their needs.

\textsuperscript{116} Both the authors are of the view that the corporations draw resources from the society in general and therefore it is their prime responsibilities to comply with needs and requirements.
2.13: CSR Practice in Developing Countries

Developing countries are mostly third world countries who are attributed with poverty, illiteracy, ill health and sanitations, poor infrastructure and communication connectivity. In most of the underdeveloped countries natural resources are found to be abundant but remain either unutilized or underutilized. Under Developing countries include India, Pakistan, Bangladesh, Sri Lanka, South-East Asian contraries and African countries. Matten and Moon\(^{117}\) portrayed that CSR practices differ from nation to nation owing to differences in their cultural and conventional traditions. CSR in developing nations are deeply constrained not to plan for CSR activities. These countries can hardly adopt international standards, practices and procedures for implementation of CSR activities. Researchers like Chambers et al, 2003, Welford 2005, Baughn et al.\(^{118}\) are of the views that cultural differences are the major and inherent bottlenecks in the process of adopting international CSR standards in the developing nations across the globe. However, Visser\(^{119}\) is of the view that Asian and African countries are the followers of Carroll's Pyramidal Model of CSR and according to the same, economic responsibility comes first, then comes legal responsibility, thirdly comes ethical responsibility and finally discretionary responsibility which is otherwise known as philanthropic responsibility and it is at the fourth rung of the Pyramid given by Carroll.

2.14: CSR in Developed Countries

Classification of the countries in terms of economic status is based on the per capita GDP, literacy rate and rate of mortality and so on and accordingly developed nations include USA, UK, Canada, Japan, Germany, France and Western European countries. Developed countries are more generous and perform CSR activities almost voluntarily. Classical economic model is the


\(^{118}\) E. Chambers, W. Chapple, J. Moon and M. Sullivan(2007)'s work , ' CSR in Asia, A Seven Country Study of CSR website reporting,' *ICCSR research papers series*, no. 09-2003, R. Welford (2005)'s work, ' Corporate Social Responsibility in Europe, North America and Asia,', *Journal of Corporate Citizenship*, 17(1), pp. 33-52 and C C Baughn, N L Bodie and J. C. Melntosh (2007)'s contribution in this area of study is noteworthy and attributed with knowledgeable interpretation as to how CSR practices are blocked in developing countries.

\(^{119}\) W Visser (2007)'s work, ' Revisiting Carroll's CSR Pyramid, Corporate Citizenship in Developing Countries: New Partnership Perspectives, p. 29 and again his 2008's work, ' Corporate Social Responsibility in developing countries', *The Oxford Handbook of Corporate Social Responsibility, Oxford University Press*, Oxford, pp. 473-90 explain the causes of low compliance with CSR in developing countries and how he same is practiced in developed countries with voluntary enthusiasms.
basis of CSR in the USA and many other developed countries. The central theme of the classical economics is that the society would determine its basic requirements through the market of a particular product or service. Law is the prime mover of functioning in social interest. The business has to produce and distribute according to the basic requirements. Over the years stakeholders model begin to come into existence in the form of a social model and there is enormous contribution of the developed countries in the process of CSR in meeting the interest of the stakeholders. Developing countries have borrowed the concept of stakeholders in order to develop a CSR model. CSR goes beyond legal behavior of the business but it takes the form of ethical, philanthropic and of course economic responsibility voluntarily in the developed countries across the globe. In developed nations, CSR works in the format of corporate behavior rather than legal compulsion. Law comes into picture when the society does not abide by the conventional and traditional norms of coexistence for mutually beneficial interest and whether is conflict of interest.

2.15: CSR Practice in India

The concept of CSR is not new in India though it seems that the Companies Act, 2013, provided for CSR activities for the first time in terms of law. It is imperative to mention that CSR was found to be in practice in the form of 'Dharmamada”, Zakatah, Dashaant by the Hindus, the Muslims and the Shikhs respectively since ancient days of history of India. Charity and philanthropy are known to be religious duties of individuals as well as corporates in India and this becomes a tradition since immemorial ancient days. Corporate India includes Tatas, Birlas, Ambanis, Reddy, Infosys, Wipro etc and they are engaged in CSR activities since the initial days of their commercial activities and they share the wealth created by their companies for the cause of social upliftment and wellbeing voluntarily even in absence of any statutorily mandatory provision of law in the country.

Gandhian Trusteeship Model of CSR is one of the cornerstones of the theory of Indian CSR. The theory of Gandhian Trusteeship advocates in favor of equal distribution of wealth and income among the have-nots in order to bring about equality among the mass. India is a country of 130 crores population and it is an agro-based economy. Agriculture performance is full of uncertainty and it leads to poverty. Similarly, according to last Census (2011), about 72 % Indians are literate and remaining 28-30% are illiterate and CSR takes lot of care to make India substantially
literate and in this context the initiatives of Wipro is highly appreciable which is allocating its resources for basic education, health and sanitation in number of villages in Andhra Pradesh and Telangana besides other. Jamshedpur and around Jamshedpur is developed by Tata and there has been poverty alleviation in this region because of CSR activities of Tatas.

'Karmayog CSR Study in India' was carried out by India in order to understand the present status of CSR practices in India. 500 companies were taken as the sample of the study and these companies were rated in a '0 to 5' scale based on information from the website of the respective companies and their annual reports. Out of these 500 companies, 229 companies were rated '0' for not doing any CSR activity. Out of the remaining 271 companies, 26 companies were contributing to environment protection and saving, remaining 245 companies were filtered to examine on the basis of 18 GRI social aspects consisting of social performance, human rights performance, treatment of labour and product performance etc. It was found that almost every company out of 245 companies were found to be doing certain CSR activities. Most of the companies were found to be engaged in providing basic education, pure drinking water, mid-day meals etc to attract the students. Though CSR activities are not in very large in scale in India but certain degree of CSR activities were found in about 50% of the sampled companies and it is, of course, an encouraging picture. However, in the version of Shrivastava and Venkateswaran120, the companies are of two categories and category one companies love to operate and do CSR activities through constructive works within the four walls of law and they are known as 'socially responsible' and the category two companies do CSR activities in the form of philanthropic manner just by making donation etc voluntarily without having any expectation of return.

2.16: Conclusion

This chapter deals with the conceptual dimensions of the theory of Corporate Social Responsibility (CSR). It also offers the operational definitions of the terms very frequently found to be in the thesis. This chapter examines in objective manner the contemporary theories besides the classical theories of CSR. It is found that economically advanced countries practice

120 H. Shrivastava and S. Venkatateswarn(2000)' work, 'The Business of Social Responsibility: The Why, What and How of Corporate Social Responsibility in India', New Delhi, Books for Change is seminal work which contains their finings on the CSR Practice in India. It throws light over various issues concerning why a certain company should do CSR at all.
CSR voluntarily and less developed or developing or underdeveloped countries need legal mandate to perform CSR. It is also discussed and arrived at the conclusion that A. B. Carroll’s pyramidal theory of CSR is the foundation of modern theories and practice of CSR though Carroll revisited his four dimensional theory of CSR and agreed that four dimensional theory can also be used as three dimensional theory by clubbing philanthropic issues with the remaining three issues that appear in the CSR Pyramid.