CHAPTER – 1

INTRODUCTION TO
CORPORATE SOCIAL RESPONSIBILITY

‘Wealth is useless without dharma and dharma is toothless without wealth.’

- Kautilya

1.1 Introduction to Corporate Social Responsibility (CSR)

The importance of businesses in improving the quality of life is well recognized. However, there is growing awareness that in an increasingly complex world, businesses also have significant and long-lasting impacts on people, our planet and our ability to sustain the levels of holistic development that we all aspire to. This realization has also brought an increasing concern amongst all stakeholders, who are demanding that businesses of all types and sizes need to function with fairness and responsibility. Specifically, this calls for businesses being thoroughly aware and conscious of their social, environmental and economic responsibilities, and balance these different considerations in an ethical manner.

The corporate sector around the world is struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generation. Businesses now have to take responsibility for the ways their operations impact society and the natural environment. The corporate sector must now focus its attention on fulfilling their Corporate Social Responsibility (CSR). The corporation, being a legal entity, is viewed as any other citizen in the society, having its rights and duties. Hence, the concepts of corporate citizenship and Corporate Social Responsibility (CSR) have come into vogue.

Business is no longer just about achieving economic success. The world today is grappling with problems like environmental degradation, climate change, global warming, loss of biodiversity, depleting resources, rampant poverty, inequality and social exclusion. The social
and environmental consequences of business are under increasing scrutiny. Purely economic motivations are now considered unsustainable.

Today, India faces multiple challenges. The major challenges are economic, social and environmental in nature. In the last two decades, India has seen tremendous growth. However, the beneficiaries of this growth are but a small section of the country's population. There is an ever-widening gap between the haves and the have-nots. The majority of the population remains at the periphery of development, while the rest lean towards the other extreme, that of immense wealth. There are disparities amongst regions, states, sectors, and communities. This exclusion from the benefits of economic growth & development has rendered people steeped in poverty with very low standards of living.

The environmental challenges that the world and India, especially as a developing economy, face are depleting natural resources, environmental degradation, sky rocketing GHG emissions and consequently, climate change. The combination of these economic, social and environmental challenges could prove to be detrimental to the future growth of India as a country and as a sustainable economy.

This calls for a need for companies to streamline their business activities with sustainable development. This can be achieved when companies ethically & in spirit follow their Corporate Social Responsibility (CSR). CSR has been defined in various ways by various researchers. But the underlying theme of CSR is to conduct business in such a manner which would not prove detrimental to the interest of the society & the environment & thereby contribute to the economic development of the society. The business should consider the interest & impact of its activities on all its stakeholders, whether internal or external. Organic growth of business & the society is possible only if the business incorporates in its regular course of business, the concept of sustainable development, thereby addressing the interests of all stakeholders. Thus CSR as a concept is very similar to the theory of the Triple Bottom Line, which measures three dimensions of business growth i.e. economic, social & environmental which have their impact on the 3 P’s i.e. people, planet & profit.

Definitional issues regarding CSR have remained an area of deliberation from the concept's very beginnings. Early models of CSR emerged in the 1960s and typically held the "social" aspect of CSR as referring directly to those responsibilities above and beyond economic and legal obligations. Thus, for many, CSR was and still is synonymous with voluntary and
philanthropic acts by business organisations designed to alleviate social ills or benefit a disadvantaged group chosen by the corporation's managers”.

The world around governments, societies, forums & various groups are talking about Corporate Social Responsibility of organisations conducting business in the economy. CSR is a topic which has been researched for long by scholars. However there has been renewed interest in the same since the fall of various companies like Enron, Worldcom, Paramalat, Satyam & the likes.

The modern era of CSR, or social responsibility as it was often called, is most appropriately marked by the publication by Howard R. Bowen of his landmark book ‘Social Responsibilities of the Businessman’ in 1953. Bowen’s work proceeded from the belief that the several hundred largest businesses in the United States were vital centers of power and decision making and that the actions of these firms touched the lives of citizens in many ways. The key question that Bowen asked that continues to be asked today was “what responsibilities to society may businessmen reasonably be expected to assume?” (Bowen 1953, p. xi)

1.2 Definitions of Corporate Social Responsibility

The Companies Act of 2013 does not define CSR as such. Schedule VII of the Act sets out a number of activities that are to be considered as CSR activities. Indeed, one of the major issues pertaining to CSR is the lack of a universally accepted definition, as well as an inability to measure its efficacy and relationship with corporate profitability.

Definitional issues regarding CSR have remained an area of deliberation from the concept's very beginnings. There is no universal definition of CSR but the common understanding amongst most of these definitions concern with how the profits are made and how they are used, keeping in mind the interests of all stakeholders. Early models of CSR emerged in the 1960s and typically held the "social" aspect of CSR as referring directly to those responsibilities above and beyond economic and legal obligations. Thus, for many, CSR was and still is synonymous with voluntary and philanthropic acts by business organisations designed to alleviate social ills or benefit a disadvantaged group chosen by the corporation's managers”.

Although the debate on the relationships between business and society, and the implied responsibilities, has been ongoing for decades, there is still no consensus on a commonly
accepted definition of CSR (Carroll, 1991; Jones, 1995; 1999; McWilliams and Siegel, 2001). This may be partly due to the fact that people within (and outside) the field, notwithstanding the issue of literary translation, employ, promote and defend different interpretations that have emerged over the past three decades. These range from Corporate Social Responsibility to Sustainable Development, from Business Ethics to Corporate Social Contract, from Corporate Accountability to Business in Society and from Corporate Citizenship to Corporate Governance. This variety of themes in itself is interesting and demonstrates the richness of the concept itself as well as the criticality of research (Carroll, 1999; Ougaard and Nielsen, 2002).

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Corporate social responsibility (CSR) in its modern formulation has been an important and progressing topic since the 1950s. To be sure, evidences of businesses seeking to improve society, the community, or particular stakeholder groups may be traced back hundreds of years (Carroll et al. 2012).

To be fair, it must be acknowledged that some writers early on have been critical of the CSR concept. In an important Harvard Business Review article in 1958, for example, Theodore Levitt spoke of “The Dangers of Social Responsibility.” His position was best summarized when he stated that business has only two responsibilities – (1) to engage in face-to-face civility such as honesty and good faith and (2) to seek material gain. Levitt argued that long-run profit maximization is the one dominant objective of business, in practice as well as theory (Levitt 1958, p. 49). The most well-known adversary of social responsibility, however, is economist Milton Friedman who argued that social issues are not the concern of businesspeople and that these problems should be resolved by the unfettered workings of the free market system (Friedman 1962).
Milton Friedman, Nobel Laureate in Economics and author of several books wrote in 1970 in the New York Times Magazine that “the social responsibility of business is to increase its profits” and “the business of business is business”. This represented an extreme view that the only social responsibility a law-abiding business has is to maximize profits for the shareholders, which were considered the only stakeholders for the company. However, time has given the term ‘stakeholder’ wider connotations.

CSR has had a robust past and present. The future of CSR, whether it be viewed in the four part definitional construct, the Pyramid of CSR, or in some other format or nomenclature such as Corporate Citizenship, Sustainability, Stakeholder Management, Business Ethics, Creating Shared Value, Conscious Capitalism, or some other socially conscious semantics, seems to be on a sustainable and optimistic future. Though these other terminologies will sometimes be preferred by different supporters, CSR will continue to be the centrepiece of these competing and complimentary frameworks (Carroll 2015a). Though its enthusiasts would like to think of an optimistic or hopeful scenario wherein CSR would be adopted the world over and would be transformational everywhere it is practiced, the more probable scenario is that CSR will be consistent and stable and will continue to grow on a steady to slightly increasing trajectory. Four strong drivers of CSR taking hold in the 1990s and continuing forward have solidified its primacy. These include globalization, institutionalization, reconciliation with profitability, and academic proliferation (Carroll 2015b).

The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. By late 1990s, the concept was fully recognised; people and institutions across all sections of society started supporting it.

This can be corroborated by the fact that while in 1977 less than half of the Fortune 500 firms even mentioned CSR in their annual reports, by the end of 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organisational goals, and actively promoted their CSR activities in annual reports (Boli and Hartsuiker, 2001).

Archie Carroll in 1991 describes CSR as a multilayered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities. Carroll presents these different responsibilities as consecutive layers within a pyramid, such that “true” social responsibility requires the meeting of all four levels consecutively. The model probably is the most accepted and established.
If we take a look at the CSR initiatives being undertaken worldwide, we would find that Global organisations like UN, World Bank & regional trade blocks like ASEAN, EU, SAARC, etc have all taken a note of the various economic, social & environmental issues & made efforts to recognize the importance of CSR in the recent years. Dozens of definitions of corporate social responsibility have arisen since then. In one study published in 2006, Dahlsrud identified and analyzed 37 different definitions of CSR and his study did not capture all of them (Dahlsrud 2006).

World Bank’s view on CSR is that, CSR is no longer seen as corporate social assistance or philanthropy, but as essential to a good business strategy, helping reduce investment risks and enhancing business profits by improving transparency and accountability. It is about working together - with government, with civil society, and with the community - to improve the lives of millions of people by making growth more inclusive.

According to ISO 26000, social responsibility is not merely a “neutralizing” action applied at the end of production/distribution to fix what has been generated or displaced. Rather, it is a proactive mind-set that should be incorporated across all levels of planning, execution, and stakeholder interaction.

ISO 26000 acknowledges that applying a lens of social responsibility can be complex. Competing priorities, cultural differences, and other unique variables can create a muddied picture concerning “right” action. The standards make it clear, however, that “a situation’s complexity should not be used as an excuse for inaction,” and that companies should proceed in good faith, applying the seven principles of socially responsible behavior as outlined in the
standard: accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights.

A widely quoted definition by the World Business Council for Sustainable Development states that “Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

UNIDO (United Nations Industrial Development Organisation) defines Corporate Social Responsibility as a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line-Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

International Labor Organisation defines CSR as, "Corporate Social Responsibility (CSR) is a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law."

In its new corporate and social responsibility strategy issued in 2011, the European Commission (EC) defined corporate and social responsibility simply as “the responsibility of enterprises for their impact on society.” Before that definition was adopted, it was previously defined by the EC as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”
These definitions suggest an important thing about corporate social responsibility: It is more a voluntary initiative than a mandatory requirement for companies and stakeholders to have a positive impact on society.

The Communication then states that: “To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.”

**Kautilya’s Arthashastra** dealt with the characteristics of a well-run administration or socially responsible organisations. Kautilya laid down three main responsibilities of a leader (king). They are raksha (security), palan (growth) and yogakshma (welfare). The meaning & context of the three responsibilities differ depending upon the environmental context. Kautilya stressed the importance of happiness to all stakeholders of an organisation.

Trusteeship was Gandhiji's peculiar contribution to the technique of social change. He called it "the technique of change of heart." If we examine the role of business in this context and apply the principles of Trusteeship to today's corporations we can devise a new way of integrating social responsibility within the DNA of the business.

While proposing the Corporate Social Responsibility Rules under Section 135 of the **Companies Act, 2013**, the Chairman of the CSR Committee mentioned the Guiding Principle as follows: "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth."

**The Companies Act, 2013**

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more,
or a net profit of five crore INR and more. The new rules, which are applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities.

Companies (Corporate Social Responsibility Policy) Rules, 2014 has defined the term "Corporate Social Responsibility (CSR)" as follows: "Corporate Social Responsibility (CSR)" means and includes but is not limited to:

i. Projects or programs relating to activities specified in Schedule VII to the Act; or

ii. Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

Meaning thereby, conducting all those activities which are either specified under Schedule VII to the Companies Act, 2013 or those which are recommended by the CSR Committee of the Board as per the CSR Policy and are undertaken by the Board of directors of the Company will be covered under the scope of activities of Corporate Social Responsibility.

The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

**Scheduled VII**

Activities which may be included by companies in their Corporate Social Responsibility relating to:

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
(viii) social business projects;
(ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and (x) such other matters as may be prescribed.

Table 1.1 Definitions of CSR – academic research

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<thead>
<tr>
<th>Author</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Bowen (1953)</td>
<td>[CSR] refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.</td>
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<td>Frederick (1960)</td>
<td>Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.</td>
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<td>Friedman (1962)</td>
<td>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.</td>
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<td>Davis and Blomstrom (1966)</td>
<td>Social responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system.</td>
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<tr>
<td>Sethi (1975)</td>
<td>Social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance.</td>
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<tr>
<td>Carroll (1979)</td>
<td>The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.</td>
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<tr>
<td>Jones (1980)</td>
<td>Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.</td>
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<tr>
<td>Wood (1991)</td>
<td>The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.</td>
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<tr>
<td>Baker (2003)</td>
<td>CSR is about how companies manage the business processes to produce an overall positive impact on society.</td>
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Corporation social responsibility and stakeholder approach: A conceptual review

1.3 Alternate terms used for CSR

One of the most stubborn problems facing practitioners of CSR is the name game. Despite the fact that the practices of any one firm are almost universally accepted practices at all firms, we ourselves choose to confuse the public with a myriad of names. Business schools ‘teach’ nuances implied by the use of differing titles.
CSR has had a robust past and present. The future of CSR, whether it be viewed in the four part definitional construct, the Pyramid of CSR, or in some other format or nomenclature such as Corporate Citizenship, Sustainability, Stakeholder Management, Business Ethics, Creating Shared Value, Conscious Capitalism, or some other socially conscious semantics, seems to be on a sustainable and optimistic future. Though these other terminologies will sometimes be preferred by different supporters, CSR will continue to be the centerpiece of these competing and complimentary frameworks (Carroll 2015a).

Fast forward through the past two decades, and you can see the influence of the CSR movement by looking at today’s business language: corporate citizenship; sustainability; triple bottom line; ESG (environmental, social and governance); inclusive business; cause related marketing (CRM); pro-poor value chains; bottom of the pyramid business models (BOP); socially responsible investing and impact investing; social enterprise; social purpose; public-private partnerships; green economy; collective impact; license to operate/ license to lead; corporate ethics; and corporate volunteerism and employee engagement. The lexicon is constantly changing, refining, expanding and provoking.

So what exactly is Corporate Social Responsibility? The definition used by the CSR Initiative at Harvard Kennedy School, Jane Nelson: “Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance, and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community and the public policy realm.

In a fast developing field, action is more important than terminology. Nonetheless, clarity of description is important to ensure that thought defines language rather than the other way round. So here are a few thoughts on terms that are common in the CSR industry.

The stalwart of conventional investment standards, the CFA Institute, demonstrates that it does not differentiate. The web search for articles on Corporate Social Responsibility (CSR) as it affects investment decision making finds results, many of which contain headlines for Environmental, Social and Governance (ESG) articles or Socially Responsible Investing (SRI) articles, or even Impact Investing, indicating that they consider all to be a single concept. So why are there so many different titles for the approach? Has there been a progression? And should we support the splintering of names?
The current rather uninformed textbook story is that first came “socially responsible investing,” which was a simple divestment approach. Next came ESG investing, which looked for companies with stronger environmental or social stories, but was not actually making any difference in the world. Finally we have evolved to Impact Investing, which actually uses business to make the world a better place.

The world’s financial markets have all leapt to provide ESG relevant ratings indexes, the Dow Jones Sustainability Index, the FTSE4Good Index (which is co-owned by the London Stock Exchange and Financial Times), Bloomberg ESG data and the MSCI ESG Indices, the Sensex Greeny index & Sensex Carbonex index, etc.

Let us return to the name game. What the CSR industry calls itself has become too much of a distraction. For all intents and purposes, Triple P (people, the planet, and profits) investing is ethical investing is ESG investing is Sustainable investing is SRI, etc.

This alphabet soup of titles, characterizations, and approach classifications and so on is usually confusing to corporate managers not well versed in matters related to CSR.

Although the debate on the relationships between business and society, and the implied responsibilities, has been ongoing for decades, there is still no consensus on a commonly accepted definition of CSR (Carroll, 1991; Jones, 1995; 1999; McWilliams and Siegel, 2001). This may be partly due to the fact that people within (and outside) the field, notwithstanding the issue of literary translation, employ, promote and defend different interpretations that have emerged over the past three decades. These range from Corporate Social Responsibility to Sustainable Development, from Business Ethics to Corporate Social Contract, from Corporate Accountability to Business in Society and from Corporate Citizenship to Corporate Governance. This variety of themes in itself is interesting and demonstrates the richness of the concept itself as well as the criticality of research (Carroll, 1999; Ougaard and Nielsen, 2002).

**Corporate Citizenship**

The concept of Corporate Citizenship is seen as the way where business needs to go in the future. The basic idea of the concepts is that companies are a vital part of the society and that they cannot ignore this any longer. Business has both the power and the responsibility to behave in a way that satisfies not only shareholders, but also employees, customers, the environment, the community, and the society as a whole.
This term focuses on the company as a member of society, as a citizen, including all its
duties, but also all its responsibilities. “All companies have economic, social, ethical and
environmental responsibilities, some of which require compliance with the law, others
requiring discretionary action to ensure that the company does not knowingly operate to the
detriment of society.” (McIntosh et al 1998, p. 284). According to Westebbe/Logan,
companies should “[…] commit themselves not only to their business, but also to the solving
of society’s problems.” (Westebbe/Logan 1995, p. 17). CSR is therefore about a company’s
commitment, involvement, and the two-way relationship between society and corporations.
At the heart of the CSR movement are issues of transparency and accountability so that all
stakeholders, and the company itself, report on its ethics, financial, social and environmental
affairs.

Corporate citizenship is a term usually used by corporate entities in the West for CSR which
refers to how a company exercises its rights, responsibilities, obligations, and privileges
within our local and global societies. Corporate citizenship is measured by how well
companies manage not only their financial performance, but also their environmental and
social impacts and opportunities. A great corporate citizenship goes beyond a focus on
addressing surface-level sustainability efforts or corporate philanthropy. Today’s leading
responsible corporations draw on the collective impact of a variety of initiatives that address
an array of trends and emerging issues. What is their secret to making the greatest impact?
They select the issues that can be met most directly by their unique resources. By addressing
those issues that are most material to the company and industry, they can work with
colleagues across the company to develop corporate citizenship programs through which
value is shared by shareholders, employees, and other stakeholders—delivering both
meaningful social value and a strong financial bottom line. The underlying goal of corporate
citizenship remains clear: create a better world in which to do business and a better world in
which to live.

**Philanthropy**

For a layman, CSR is nothing but Philanthropy. Philanthropy is often defined as using
wealth to bring about social change. A ‘philanthropist’ makes a decision to invest a portion
of their wealth to bring about social change in something they believe in. There may be an
investment of their time and knowledge, but more often than not, the support is financial. The
philanthropists desire to participate beyond that can vary, but often they are happy to support
from an at arms length. While they will likely seek to find out the impact their funds have achieved for the charity, they will usually not get involved beyond that.

For businesses of all sizes that engage in CSR, it is in their interest to be involved beyond simply giving money. If a business can turn their CSR into a profit centre, then they are more likely to deepen their engagement, stay strong during hard economic times, and—as they see their CSR have a positive impact upon their own business—give more.

If the company’s CSR program is limited to the CEO handing over a cheque at a coffee and cake ceremony, then it is not a CSR program, but an engagement in corporate philanthropy. Neither are wrong and one is not better than the other, but if a business engages in a more engaged form of giving with clear objectives in terms of KPIs and ROI from the program, all of those involved will benefit, and therein lies the magic.

Carroll (1991) defines CSR as a pyramid made up of four layers (economic, legal, ethical and philanthropic responsibilities respectively), and clearly states that “CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility” (Carroll, 1991,p.42).

Porter explains that business’ first response to societal issues was philanthropy (altruistic CSR in Lantos’ terms). It was a place to start, but corporations learned that philanthropy is not enough. The next phase, according to Porter, was CSR, which he says is more than just philanthropy – it includes philanthropy, but also involves compliance with community standards (ethical and legal), citizenship activities (companies looking to be good corporate citizens) and moving towards sustainability (in Lantos’ terms, it would equal ethical CSR).

In a broader sense, Porter explains, companies learned a lot from the process (moving from philanthropy to CSR) and have done a lot of good, but ultimately, there’s a next phase – creating shared value. While philanthropy and CSR were really more about taking resources from the business and deploying them to do other worthy social jobs, shared value is about capitalism itself, he adds, or in his words: “creating economic value by creating a societal value.” This is similar to Lantos’ strategic CSR, although Porter takes a more fundamental strategic approach.
So basically we can describe CSR on three levels: philanthropic, basic (good citizenship/prevent harm) and strategic. Interestingly though, when you look at the debates around the social responsibility of corporations you see that basic and strategic CSR are not addressed as much as philanthropy.

**Cause Related Marketing /Green Marketing**

When it comes to cause related marketing campaigns in India, I can't think of any better campaign than "Jaago Re". It was introduced in 2008 by Tata Tea. Another typical examples are the Unilever’s Lifebuoy hand wash campaign which focuses on the role of hand washing to enable a child to reach the age of five, P&G’s Shiksha seeks to provide funds to build infrastructure in rural schools and Coca-Cola’s Support my School initiative. Toyota’s Greenathon, a campaign to create environmental awareness; Aircel’s Save the Tiger campaign; and Unilever’s Kissanpur initiative to encourage children in the cities to grow tomatoes.

Cause related marketing is part of a company’s CSR policy. That is, a for-profit business establishes a long-term relationship with a non-profit company. The former expects to profit by selling more products and gaining positive publicity. The non-profit, on the other hand, benefits financially and through publicity. It also involves the consumer who contributes to the campaign directly by purchasing a CRM related product or service. This is the unique feature of CRM.

Cause-related marketing has exploded in recent years even though it is a relatively young concept. There are many versions of cause-related marketing. It is an agreement between a business and a nonprofit to raise money for a particular cause. The company expects to profit from this arrangement by selling more products and by enjoying the "halo" effect of being associated with a respected nonprofit or cause.

Cause marketing began, on a national scale, in the early 1980s when American Express partnered with the nonprofit group that was raising funds to restore the Statue of Liberty. American Express gave a portion of every purchase through its credit card to the cause plus an additional donation for every new application resulting in a new credit card customer. The company also launched a huge advertising campaign. The results were legendary: the Restoration Fund raised over $1.7 million, and American Express card use rose 27 percent.
New card applications increased 45 percent over the previous year. All this was accomplished with a three-month campaign. Everyone involved was a winner. The charitable cause received needed funds, American Express increased sales of its product and achieved a reputation for social responsibility. American Express even trademarked the term "cause-related marketing."

When it is done right, cause related marketing products can be an incredibly effective way to raise both money and awareness. This form of activity has still not picked up momentum with regional and local companies as pointed out by Sonal Kureshi & Sujo Thomas in a research paper published in IIM, Ahmedabad in April, 2014.

Although Cause Related Marketing is considered as a part of larger class of Corporate Social Responsibility (Varadrajan and Menon, 1988; Kotler and Lee, 2004; Webb and Mohr, 1998), CRM is different in terms objectives and approach. Typically, CRM budget comes from marketing budget unlike regular philanthropy foundation budgets (Varadrajan and Menon, 1988) and it is a marketing programs. (Adkins; 2003) mentions that CRM fall under promotion mix of 4Ps of marketing. Cause Marketing is also considered to be a part of strategic philanthropy (Kim et.al 2005) but (Porter and Kramer, 2012) mentioned that CRM is distinct than ‘Strategic Philanthropy’ and it fall short of creating real social impact and it remains at publicity level.

In the late 80s and early 90s, companies began a marketing strategy known as “green marketing” -- claiming that their products are environmentally friendly. Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Green marketing refers to holistic marketing concept wherein the product, marketing consumption on disposal of products and services happen in a manner that is less detrimental to the environment with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc., both marketers and consumers are becoming increasingly sensitive to the need for switch into green products and services. Many companies have started realizing that they must behave in an environment friendly fashion. They believe both in achieving environmental objectives of CSR as well as profit related objectives.
Social Entrepreneurship

A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change (a social venture). Whereas a business entrepreneur typically measures performance in profit and return, a social entrepreneur focuses on creating social capital. Thus, the main aim of social entrepreneurship is to further social and environmental goals.

However, whilst social entrepreneurs are most commonly associated with the voluntary and not-for-profit sectors, this need not necessarily be incompatible with making a profit. Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps.

Social enterprises are social mission driven organizations which apply market-based strategies to achieve a social purpose. The movement includes both non-profits that use business models to pursue their mission and for-profits whose primary purposes are social. Their aim is to accomplish targets that are social and/or environmental as well as financial: is often referred to as the triple bottom line. Many commercial businesses would consider themselves to have social objectives, but social enterprises are distinctive because their social or environmental purpose remains central to their operation.

The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable.

Most economists and academics support the notion that entrepreneurship is becoming a crucial factor in the development and well-being of societies. Whether the entrepreneurial activities are practiced in factor-driven, efficiency-driven, or innovation-driven economies (Porter et al., 2002), the ultimate results continue to exhibit: i) lower unemployment rates; ii) increased tendency to adopt innovation; and iii) accelerated structural changes in the economy. Entrepreneurship offers new competition, and as such promotes improved productivity and healthy economic competitiveness (UNCTAD, 2004).
Social entrepreneurship is the field in which entrepreneurs tailor their activities to be directly tied with the ultimate goal of creating social value. In doing so, they often act with little or no intention to gain personal profit. A social entrepreneur “combines the passion of a social mission with an image of business-like discipline, innovation, and determination commonly associated with, for instance, the high-tech pioneers of Silicon Valley” (Dees, 1998).

**Sustainable Development**

Some say that CSR is an umbrella term under which sustainability is one aspect, and others argue that CSR is one of the three-pronged ‘p’s’ in people, planet and profit. But whether they are evolving to eventually become synonymous or there are differences between the two.

Traditionally, CSR refers to businesses’ responsibility to act ethically and consider their impacts on the community at large, and does not necessarily encompass sustainability. Sustainability on the other hand is concerned with preserving resources and operating in a way that is conducive to long-term trading.

Some say that a clear difference therefore is in the vision: CSR looks backwards at performance, typically over the last 12 months, while sustainability – although increasingly featured in dedicated reports also – has a more prominent forward-facing focus, with targets to secure the future for trading.

To put it another way, both CSR and sustainability understand that the context, community and environment in which a business operates is integral to that business’ success. Sustainability, then, goes one step further by taking into account the needs of the future generations.

In business practice, some say that CSR is embedded in the company’s mission/vision: who it is, what it wants to represent and achieve. Sustainability, meanwhile, is in the day-to-day operations of that company, for example in how it uses energy.

In a world where the two terms are slowly becoming intertwined, should we focus on the similarities or the differences?

In 1987, the World Commission on Environment and Development (WCED) published Our Common Future, which defined sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." This ethic is almost indisputable. After all, most people expect to live as well as their parents and they want their children to be afforded similar opportunities.
Expressed in this way, sustainability balances resource usage and supplies over time. In other words, sustainability assures intergenerational equity. When the resources we actually use match the earth's capacity to regenerate adequate future supply, then our systems remain balanced indefinitely. However, if resources used exceed this capacity, then current demand is being met by borrowing from the future, which will eventually lead to an inability to meet society's needs.

The corporate social responsibility (CSR) camp focuses on balancing current stakeholder interests. A socially responsible oil company would build local schools and hospitals to compensate communities for their resource extraction. But such measures do not always acknowledge the long-term impact on the communities. They do affect sustainability in a major way. CSR measures can actually impose long-term liabilities on affected communities, making good-intentioned actions unsustainable.

Charitable donations that relieve social problems are responsible, but they are not sustainable if they do not resolve the underlying issue.

The only moral imperative that grounds sustainability is the need to balance the short and long-term supply and demand of resources. Securing short-term success should never risk long-term survival. Business sustainability is the ability of firms to respond to their short-term needs without compromising the ability to meet future needs. By focusing on the "sustaining" part of sustainability, businesses can build long-term relationships, innovate enduring designs and invest in long-lasting infrastructure. Not only will this help firms survive over the long term, it will help them thrive.

**ESG Performance**

ESG (environmental, social and governance) is a term used by asset managers and investors to evaluate corporate behaviour and to determine the future financial performance of companies. Companies and business schools spend much time developing CSR policies and it is curious to see where or if these two acronyms coalesce.

ESG performance indicators include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and making sure there are systems in place to ensure accountability. Corporate social responsibility (CSR) is a form of self-regulation ensuring a company's actions have a positive impact on the environment, consumers, employees, communities, and the public sphere. Spot the difference?
Where ESG meets CSR is in the need to think long-term. But at a time when the typical CEO is in post for no more than 5 years and asset managers are mostly rewarded for fast returns, long-term thinking can be seen as a luxury.

The world’s financial markets have all leapt to provide ESG relevant ratings indexes, the Dow Jones Sustainability Index, the FTSE4Good Index (which is co-owned by the London Stock Exchange and Financial Times), Bloomberg ESG data and the MSCI ESG Indices.

**Triple Bottom Line**

The term "The Triple Bottom Line' has been attributed to John Elkington, author of “Cannibals with Forks: The Triple Bottom Line of 21st Century Business" and to Simon Zadek of AccountAbility 1000. A triple bottom line report is an accounting of business performance in terms of its impacts on the economy, the environment and society. The term “CSR report” is often used instead of a triple bottom line report, but the two are interchangeable. The theory behind the triple bottom line is that it is in the interests of a business to act as a steward of the environment, society and the economy.

The phrase, "people, planet, and profit" is used to describe the triple bottom line. In traditional business accounting and common usage, the "bottom line" refers to either the "profit" or "loss", which is usually recorded at the very bottom line on a statement of revenue and expenses. The triple bottom line adds two more "bottom lines": social and environmental (ecological) concerns. Triple bottom line (or otherwise noted as TBL or 3BL) is an accounting framework with three parts: social, environmental (or ecological) and financial. Many organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value. Triple bottom line (TBL) accounting expands the traditional reporting framework to take into account social and environmental performance in addition to financial performance.

The people, social equity, or human capital bottom line pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business. The people concept for example can be viewed in three dimensions – organisational needs, individual needs, and community issues.

The planet, environmental bottom line, or natural capital bottom line refers to sustainable environmental practices. A TBL company endeavors to benefit the natural order as much as
possible or at the least do no harm and minimise environmental impact. A TBL endeavour reduces its ecological footprint by, among other things, carefully managing its consumption of energy and non-renewables and reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner.

The profit or economic bottom line deals with the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up. It therefore differs from traditional accounting definitions of profit. In the original concept, within a sustainability framework, the "profit" aspect needs to be seen as the real economic benefit enjoyed by the host society. It is the real economic impact the organization has on its economic environment. This is often confused to be limited to the internal profit made by a company or organization (which nevertheless remains an essential starting point for the computation). Therefore, an original TBL approach cannot be interpreted as simply traditional corporate accounting profit plus social and environmental impacts unless the "profits" of other entities are included as a social benefit.

**Creating Shared Value**

“Shared value is not social responsibility, philanthropy, or sustainability, but a new way for companies to achieve economic success” said Michael E. Porter and Mark Kramer in an article, “Creating Shared Value” in the Harvard Business Review in 2011.

In their seminal 2011 Harvard Business Review article, “Creating Shared Value,” Michael Porter and Mark Kramer introduced the concept of shared value: corporate policies and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which the company sells and operates. Porter and Kramer argue that all profit is not equal. Profit involving shared value enables society to advance and companies to grow faster. They predict that incorporating societal issues into strategy and operations is the next major transformation in management thinking. And they assert that shared value models represent nothing less than the next evolution of capitalism. In the three years since the article was published, Creating Shared Value (CSV) has gained credibility, legitimacy and momentum as a new way of doing business.

Shared value is a management strategy in which companies find business opportunities in social problems. While philanthropy and CSR focus efforts focus on “giving back” or minimizing the harm business has on society, shared value focuses company leaders on
maximizing the competitive value of solving social problems in new customers and markets, cost savings, talent retention, and more.

More companies are now building and rebuilding business models around social good, which sets them apart from the competition and augments their success. With the help of NGOs, governments, and other stakeholders, business has the power of scale to create real change on monumental social problems.

Creating Shared Value (CSV) might supersede Corporate Social Responsibility (CSR) in guiding the investments of organisations within their communities. CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is the main driver of the company’s profitability and competitive position. It leverages the unique resources and expertise of the company economic value by creating social value.

The following table compare the main features of CSR and CSV:

Table No.1.2 Comparison between CSR & CSV

<table>
<thead>
<tr>
<th>Corporate Social Responsibility (CSR)</th>
<th>Creating Shared Value (CSV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value: doing good</td>
<td>Value: economic and societal benefits relative to cost</td>
</tr>
<tr>
<td>Recipients: Citizenship, philanthropy, Sustainability</td>
<td>Joint value creation for business and society</td>
</tr>
<tr>
<td>Discretionary practice or in response to external pressure</td>
<td>Joint planning &amp; strategy</td>
</tr>
<tr>
<td>Agenda is driven by external reporting and personal preferences</td>
<td>Agenda is business centric and internally generated</td>
</tr>
<tr>
<td>Limited impact of corporate footprint and CSR budget</td>
<td>Realigns the entire company budget</td>
</tr>
<tr>
<td>Example: Fair trade purchasing</td>
<td>Example: transforming procurement to increase quality and yield</td>
</tr>
</tbody>
</table>


In a broader sense, Porter explains, companies learned a lot from the process (moving from philanthropy to CSR) and have done a lot of good, but ultimately, there’s a next phase – creating shared value. While philanthropy and CSR were really more about taking resources
from the business and deploying them to do other worthy social jobs, shared value is about capitalism itself, he adds, or in his words: “creating economic value by creating a societal value.” This is similar to Lantos’ strategic CSR, although Porter takes a more fundamental strategic approach.

**Corporate Social Performance**

Corporate social performance (CSP) refers to the principles, practices, and outcomes of businesses’ relationships with people, organizations, institutions, communities, societies, and the earth, in terms of the deliberate actions of businesses toward these stakeholders as well as the unintended externalities of business activity. The development of the CSP concept, beginning in the 1950s and 1960s, is important for understanding how CSP is related to other core topics and concepts in business and society/business ethics. As the CSP concept was refined, an earlier term, corporate social responsibility (CSR), was incorporated as one element of CSP, in particular, the ethical and/or structural principles of social responsibility, or business engagement with others.

**Stakeholder Theory**

One of the most important contributors to stakeholder theory is R. Edward Freeman and his book *Strategic Management: A Stakeholder Approach* (1984). The core idea of stakeholder theory is that organizations that manage their stakeholder relationships effectively will survive longer and perform better than organizations that don't.

Numerous articles and books written on stakeholder theory generally credit Freeman as the "father of stakeholder theory." Freeman's *Strategic Management: A Stakeholder Approach* is widely cited in the field as being the foundation of stakeholder theory. R. Edward Freeman had an article on Stakeholder theory in the California Management Review in late 1983, attributing the development of the concept to internal discussion in the Stanford Research Institute. He followed this article with a book *Strategic Management: A Stakeholder Approach*. This book identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. In short, it attempts to address the "principle of who or what really counts.

In the traditional view of a company, the shareholder view, only the owners or shareholders of the company are important, and the company has a binding fiduciary duty to put their
needs first, to increase value for them. Stakeholder theory instead argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders – their status being derived from their capacity to affect the firm and its stakeholders.

**Socially Responsible Investing (SRI)**

Recently, the term socially responsible investing (SRI) is becoming more commonplace, often making headlines in mainstream media as well as major accounting and finance conferences. SRI is often used to encourage investors to integrate sustainability or more specifically environmental, social and governance (ESG) issues when deciding which assets to invest in. Assets here could refer to either equities or real estates. The logic is straightforward. If investors have an option to choose where to invest in, they would select companies that perform better in ESG as this is symbolic of the quality of the management team.

Sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. Just as there is no single approach to SRI, there is no single term to describe it. Depending on their emphasis, investors use such labels as: “community investing,” “ethical investing,” “green investing,” “impact investing,” “mission-related investing,” “responsible investing,” “socially responsible investing,” “sustainable investing” and “values-based investing,” among others.

CSR can be defined as "the success of a company's business gained not only through the observance of laws and regulations but also through an approach that strikes a balance among economic, environmental and social issues in ways that benefit citizens, the community and society as a whole," while SRI is "the supplying of funds to firms that fulfill such social responsibilities through such means as stock investments and extension of loans."

While CSR developed in the U.S. with the leverage of socially responsible stock investments by the private sector, in Europe CSR and SRI were promoted in line with policy courses plotted by governments.
According to the famous investor Amy Domini, shareholder advocacy and community investing are pillars of socially responsible investing, while doing only negative screening is inadequate. The longest-running SRI index, the Domini 400—now the MSCI KLD 400—was started in May 1990.

SRI is gaining traction worldwide given that information providers such as Bloomberg and Thomson Reuters are also now providing ESG data in addition to financials.

This is where stock exchanges have an important function is performing their social responsibility. First, stock exchanges are seen to play a key intermediary role in the dissemination of quality ESG information. The development of sustainability indexes such as the FTSE4Good Index Series and Dow Jones Sustainability Index (DJSI) across stock exchanges is also expected to drive more quality ESG disclosures. In order to be included as part of these indexes, listed companies are required to be more transparent about their ESG disclosures and performance. The introduction of such indexes could also act as an incentive for companies to benchmark ESG indicators across their respective industry sectors to ensure that ‘apples to apples’ comparison can take place.

In the context of India, it is worth mentioning here that the Securities and Exchange Board of India (SEBI) mandated that from 31 March 2012 the top 100 listed companies must submit Business Responsibility Reports (BRRs) as part of their annual reports, providing information about their sustainability performance.

Bombay Stock Exchange on 22nd Feb, 2012 had launched a new index called ‘BSE-GREENEX’ which measures the performance of the companies in terms of Carbon Emissions. This is India's first carbon-efficient live index. The index has been developed by the BSE in collaboration with IIM Ahmedabad. BSE Greenex will measure the performances of companies in terms of carbon emissions. The selection of companies was on the basis of greenhouse emissions in the last four financial years from 2007-08 till 2010-11. The companies were tested in different combinations of carbon emission intensity, market capitalisation, and turnover. The top-ranking companies from each sector like power, steel, cement have made it to the new index called BSE-GREENEX. Greenex has 20 companies from the broader BSE 100 index that meet energy efficiency norms, allowing investors to derive benefit from the related cost savings. The index will allow investors to track companies that invest in energy efficient practices. Investors can invest in a mutual fund that
invests in companies that form this Greenex. The Greenex will allow asset managers to create products to help investors put their money in green enterprises.

Table No.1.3 SRI Indices

<table>
<thead>
<tr>
<th>SRI indices</th>
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<tbody>
<tr>
<td>A number of SRI indexes have been established to support socially responsible investing. They include:</td>
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<tr>
<td>Dow Jones Sustainability Indexes (DJSI)</td>
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<tr>
<td>FTSE4Good Index</td>
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<tr>
<td>Ethibel Sustainability Index (ESI)</td>
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<tr>
<td>KLD Domini 400 Social Index (DSI)</td>
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<td>Innovest EcoValue Index</td>
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<td>The Calvert Social Index</td>
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1.4 Importance of CSR

Over the past quarter-century the world has changed—and with it the development landscape. The geopolitical scenario has also changed, with developing countries emerging as a major economic force and political power. Globalization has integrated people, markets and work, and the digital revolution has changed human lives. What happens in one part of the world has an effect on the rest of the world. All the countries have become one common laboratory, where experiments tried by one country affect the other.

Progress in human development has been impressive over the past 25 years. People now live longer, more children are in school and more people have access to basic social services.

Yet human development has been uneven, and human deprivations persist. Progress has bypassed groups, communities, societies—and people have been left out. Some have achieved only the basics of human development, and some not even that. And new development challenges have emerged, ranging from inequalities to climate change, from epidemics to desperate migration, from conflicts to violent extremism.
According to the UNDP Human Development Report, 2016, one person in nine in the world is hungry, and one in three is malnourished. About 15 million girls a year marry before age 18, one every two seconds. Worldwide 18,000 people a day die because of air pollution, and HIV infects 2 million people a year. Every minute an average of 24 people are displaced from their home. Women consistently have, on average, a lower Human Development Index (HDI) value than do men.

Epidemics, violence, climate change and natural disasters can quickly undermine the progress of those who have moved out of poverty. They can also generate new deprivations. Millions of people around the world are exposed to climate-related natural disasters, droughts and associated food insecurities, subsisting on degraded land. The deprivations of the current generation can carry over to the next generation.

The top 1 percent of the global wealth distribution holds 46 percent of the world’s wealth. Inequalities in income influence inequalities in other dimensions of well-being, and vice versa.

According to a report by Livemint dated March 22, 2017, India’s human development index (HDI) ranking for 2015 puts Asia’s third largest economy among a group of countries classed as “medium” in the list, as opposed to “low” in the 1990s, thanks to factors such as an increase in life expectancy and mean years of schooling in the past 25 years.

But the bad news from the report is that regional disparities in education, health and living standards within India—or inequality in human development—shave off 27% from India’s HDI score.

As it stands, India is ranked 131 out of 188 countries in a list that is topped by Norway. India’s HDI value for 2015 is 0.624—which puts the country in the medium human development category but behind fellow South Asian countries like Sri Lanka and the Maldives. While India’s HDI value increased from 0.428 in 1990 to 0.624 in 2015, it still had the lowest rank among BRIC nations. However, its average annual growth in HDI (1990-2015) was higher than that of other medium HD countries.

The HDI simplifies and captures only part of what human development entails; it does not reflect on sustainability, inequalities, poverty, empowerment, etc. The 2016 Human Development Report introduced a set of dashboards including Sustainable Development Dashboard which focuses on sustainability in the environmental, economic and social realms.
The HDI, when supplemented with data from dashboards, can provide valuable insights. Sustainable energy is central to economic growth, social progress, and environmental sustainability, as recognized by the 2030 Agenda for Sustainable Development. Renewable energy consumption per capita and Carbon dioxide emissions data show a contrasting picture between very high and low human development countries. However, there is an important difference in the type of renewable energy available in these countries. In very high human development countries renewable energy technologies include solar, wind and hydro. On the other hand, in low human development countries the use of clean renewable energy technologies is at the beginning. The high share of renewable sources should also be looked in the context of low electrification rates, particularly in rural areas, where the energy source is mostly based on biomass (burning wood in households), which have negative implications on environment and health.

All the above data calls for action by the most powerful form of entities in the commercial world – corporate/business community. The Corporate Sector around the world is struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generation. Businesses now have to take responsibility for the ways their operations impact society and the natural environment. The Corporate Sector must now focus its attention on fulfilling their Corporate Social Responsibility (CSR).

Business is no longer just about achieving economic success. The world today is grappling with problems like environmental degradation, climate change, global warming, loss of biodiversity, depleting resources, rampant poverty, inequality and social exclusion. The social and environmental consequences of business are under increasing scrutiny. Purely economic motivations are now considered unsustainable.

The environmental challenges that the world and India, especially as a developing economy, face are depleting natural resources, environmental degradation, sky rocketing GHG emissions and consequently, climate change. The combination of these economic, social and environmental challenges could prove to be detrimental to the future growth of India as a country and as a sustainable economy.
India has its own challenges as an emerging nation. On one hand it has the world’s second largest human population next only to China and predicted to have one of the world’s youngest and thereby the largest working population by 2026; yet, on the other hand, it ranks 135 among 186 countries in the Human Development Index (HDI) (Human Development Report, 2013). This means that India has a great volume of people, who have a low life expectancy, education, and per capita income. According to a United Nations Educational, Scientific and Cultural Organisation (UNESCO) report (2014), the country has 287 million illiterate adults, accounting for the largest population globally and 37% of the world total (Bhowmick, 2014) with just under 10% having any type of skilling (2% formal and 8% informal) (Mitra, 2015c; Mitra & Schmidpeter, 2016). Or, in other words, unless this population is developed and channelized, it will be a burden not only to India, but also to the world at large.

Moreover, the environmental regulations in India lag behind similar regulations in Organization for Economic Cooperation and Development (OECD) countries by almost a decade and empirical evidence show that Multi National Companies (MNCs) in India and other emerging markets do not necessarily have stricter environmental standards than their local counterparts (Sawhney 1994; Zarsky, 1999; Khan, 2007; Mitra&Schmidpeter, 2016). Hence, not just socio-economic parameters, but, India also needs to upgrade its environmental indicators to transition into a developed economy.

However, the dilemma lies in the fact that despite such unfortunate socio-economic and environmental indicators, India is home to the sixth largest super-rich population (billionaires) in the world. The total billionaire wealth was estimated to be $180 billion (Wealth-X and UBS billionaire census report, 2013), bringing India’s billionaire population to 103 (Mitra, 2014, 2015c; Mitra&Schmidpeter, 2016). Therefore, the population is divided between the have and the have-nots. The country has urban India on one side and rural Bharat on the other.

Although, this rise in inequality, to some extent, is natural in the early stages of economic development (Sharma, 2012), it remains a persistent challenge in many economies today. In Asia and the Pacific, inequality has risen over the last decade despite growth rates that have lowered poverty incidence (Son, 2013). Similarly, in India, although poverty has fallen for every social and religious group in every state and in rural and urban areas, separately as well as jointly between 1993–1994 and 2009–2010 (Panagariya & Mukim, 2014), yet, the
incidences of inequalities are high. This inequality can pose a threat to growth if it goes unchecked (Sharma, 2012).

Hence, it is imperative to have a strategy in place that will: expand opportunities for the poor and protect the poorest and the most vulnerable (O’Sullivan, 1997). Socio-economic inequality can then be minimised, thus paving the way for an emerging nation to slowly graduate into a developed economy.

Thus, under these circumstances, it is imperative that the national agenda should focus on empowering “the poor and the deprived section of the society” to achieve significant and sustainable human development (Mitra&Schmidpeter, 2016) and to bring about inclusive growth. In other words, the achievement of inclusive growth in the developing world is a significant challenge for makers in international development (Sen, 2014).

CSR is now being discussed and debated in the public policy sphere – the UK has a Minister for Corporate Social Responsibility (in the Department for Trade and Industry), the EU has published a Green Paper on the subject, 2005 has been designated the European year of CSR, and the UN Global Compact is bringing together companies and UN agencies to address Corporate Social Responsibility.

Ensuring that CSR supports, and does not undermine, SME development in developing countries is crucial to meeting its goal of improving the impact of business on society. SMEs are essential to the ‘path out of poverty’ for many developing countries. If CSR demands are protectionist, culturally inappropriate or unreasonably bureaucratic the net effect will be to undermine livelihoods in the South. On the other hand the SME sector must not be allowed to become a loophole in which polluting, exploitative industries flourish. However, support for SME development can be an important part of the CSR commitment of big companies, and improvements in social and environmental impact can go hand in hand with improvements in quality and management.

CSR needs to be integrated in core business strategies if it is to survive global recession or insecurity. CSR has gained prominence against a backdrop of relative economic stability and growth. However, the trend of global economic cycles means that this pattern of growth will at some point slow down, and possibly go into recession. If any downturn is compounded by global insecurity as a result of increased political conflict, the further development of CSR may be seriously challenged. Where CSR is integrated within the core business strategy, it is
likely to remain strong, whereas, CSR as a philanthropic add-on is vulnerable to cost cutting. Ultimately, the long term success of CSR will be based on its ability to be positioned within the core of business strategy and development, thereby becoming part of ‘business as usual’.

CSR is sometimes described as being a tacit contract between business and a community, whereby the community permits the business to operate within its jurisdiction to obtain jobs for residents and revenue through taxation. It is now seen as a vital tool in promoting and improving the public image of some of the world’s largest companies and corporations. Additionally, the community expects the business to preserve the environment and to make the community a better place to live and to work through charitable activities. Good CSR is about a company maximising its positive impact on society while at the same time maximising its own returns. In a nutshell, CSR is all about a corporation contributing positively and giving back to society.

CSR has become important in public discourse. Several awards, conferences, and rankings related to CSR has increased the spotlight on the importance of CSR.

In the emerging global economy, the operations of companies worldwide are under increased scrutiny of the activist groups, media and investors. Under this new circumstance, it is imperative for the companies to closely monitor the social and environmental implications of their activities. Although for centuries, business entities have demonstrated varying degree of responsibility to the society, it is only since the late 1990s that there has been a sharp evolution of CSR in the agenda for most top managers.

The world around governments, societies, forums & various groups are talking about Corporate Social Responsibility of organisations conducting business in the economy. CSR is a topic which has been researched for long by scholars. However there has been renewed interest in the same since the fall of various companies like Enron, Worldcom, Paramalat, Satyam & the likes.
1.4 History & Evolution of Corporate Social Responsibility

1.4.1 International History of Corporate Social Responsibility

The modern era of CSR, or social responsibility as it was often called, is most appropriately marked by the publication by Howard R. Bowen of his landmark book *Social Responsibilities of the Businessman* in 1953. Bowen’s work proceeded from the belief that the several hundred largest businesses in the United States were vital centers of power and decision making and that the actions of these firms touched the lives of citizens in many ways. The key question that Bowen asked that continues to be asked today was “what responsibilities to society may businessmen reasonably be expected to assume?” (Bowen 1953, p. xi)

Corporate social responsibility (CSR) in its modern formulation has been an important and progressing topic since the 1950s. To be sure, evidences of businesses seeking to improve society, the community, or particular stakeholder groups may be traced back hundreds of years (Carroll et al. 2012).

Much of the literature addressing CSR and what it means began in the United States; however, evidences of its applications, often under different names, traditions, and rationales, has been appearing around the world. Today, Europe, Asia, Australia, Africa, South America, and many developing countries are increasingly embracing the idea in one form or another. Clearly, CSR is a concept that has endured and continues to grow in importance and impact.

To be fair, it must be acknowledged that some writers early on have been critical of the CSR concept. In an important *Harvard Business Review* article in 1958, for example, Theodore Levitt spoke of “The Dangers of Social Responsibility.” His position was best summarized when he stated that business has only two responsibilities – (1) to engage in face-to-face civility such as honesty and good faith and (2) to seek material gain. Levitt argued that long-run profit maximization is the one dominant objective of business, in practice as well as theory (Levitt 1958, p. 49). The most well-known adversary of social responsibility, however, is economist Milton Friedman who argued that social issues are not the concern of businesspeople and that these problems should be resolved by the unfettered workings of the free market system (Friedman 1962).
Keith Davis (1960) who posed two intriguing questions in the 1960s, set the stage for this debate: "What does the businessperson owe society?" and "Can business afford to ignore its social responsibilities?" He suggested that social responsibility refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". Although in 1970's Friedman propounded the notion that the only social responsibility of business are the use of its resources and involving themselves in the activities which foster profits to them.

Milton Friedman, Nobel Laureate in Economics and author of several books wrote in 1970 in the New York Times Magazine that “the social responsibility of business is to increase its profits” and “the business of business is business”. Friedman stated: “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, engage in open and free competition, without deception or fraud” (1970).

“The proper social responsibility of business is to tame the dragon—that is, to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth” (Drucker, 1984, p. 62).

Drucker asserts that business organizations do not exist solely to generate a return on investment to shareholders, or to provide employment to workers. Business exists to provide products and services desired by consumers. But, in fulfilling this function, business affects society, both positively (e.g., in terms of jobs, etc.) and negatively (e.g., in terms of pollutants, etc.). “…in our pluralist society of organizations, it (the business enterprise) has to add to its fundamental concern for the quantities of life—i.e., economic goods and services—concern for the quality of life, that is, for the physical, human, and social environment of modern man and modern community (Drucker, 2001, p. 17).”

In earlier times, in western globe, the social responsibility was basically controlled and executed by the churches (Makower, 2011). Later on, around four hundred years ago, the roll was shifted to the state and clear demarcation was made between the various functions and relationship thereof. State has the ‘control’ function for creating and maintaining the legislation, businesses were supposed to deal with the market function and have a healthy competition to create wealth while civil society, by collaboration, have to give shape and structure to the society (Marrewijk, 2003) (Tyagi R., 2012).
The Quaker movement, founded by the George Fox in the year 1652 had some elements of the CSR. The movement rebelled against the established practices of the religious and political organisations and promoted the (as he thought) real Christianity.

The Quakers believed in the social and human values and put forth the investment criteria based on these (Chatterji, 2011).

There was an era of “Benevolent Capitalism” in Victorian tradition, during this period boycott of slave harvested sugar happened in 1790 resulting in the passing of the bill by House of Commons in 1992 to end of the slave trade. Further in 1800, East India Company was criticised by the common society. Down the line Cadbury, pioneers in employee benefits, implemented some of the first benefits for the employees such as housing, production rewards, night schools, sports facilities, hot food, Saturday half-day etc etc. (Browne, 2014)

The main purpose of the business is to earn maximum profit of the shareholders. But Henry Ford had a different set of mind. During the trail of the famous case of Dodge v. Ford Motor Company, 170 NW 668 (Mich 1919), Henry Ford said in an interview with Detroit News, “I do not believe that we should make such an awful profit on our cars. A reasonable profit is right, but not too much. So it has been my policy to force the price of the car down as fast as production would permit, and give the benefits to users and labourers . . .” (Henderson, 2007)

One group of theorists argue that organizations assume social responsibility costs that place them at an economic disadvantages as compared to their peers (Vance, 1975, McGuire & Sundgren, 1988; Aupperle, Carroll and Hatfield, 1985; Ullmann, 1985). Other theorists find that the actual cost of corporate social responsibility is minimal and firms can benefit from their actions in areas such as employee morale and productivity (Moskowitz1972; Soloman & Hansen, 1985; McGuire & Sundgren, 1988). A third view is that the costs of social responsibility are significant, but offset by reductions in other costs. This is the stakeholder theory view (Cornell & Shapiro, 1987; McGuire & Sundgren, 1988) which suggests companies must meet expectations of stockholders, consumers, etc.

New approaches to improving corporate responsibility in worldwide operations are emerging as a means for companies to improve economic social and environmental performance; a focus on what Elkington (1998) calls the triple-bottom line.
The increase in dissatisfaction with government for the recent economic crisis and failure to curtail corporate greed highlights the public’s heightened interest in increased and improved CSR initiatives (Kamani, 2010).

Although there has been much discussion and debate concerning corporate social responsibility, there is no consensus as to a commonly accepted definition of “corporate social responsibility” in the 21st Century from which to effectively measure the components of corporate compliance. “Although the concept has been developing since the early 1970’s there is no single, commonly accepted definition of ‘Corporate Social Responsibility’ (CSR). There are different perceptions of the concept among the private sector, governments and civil society organizations….” (Mazurkiewicz, 2005, p. 4). This view is shared by Blyth who states “There is no one definition of what it takes to be a responsible corporate. They key is to have a rigorous process for identifying those responsibilities and fulfilling them.” (2005, p. 30).

1.4.2 History & Evolution of CSR in India

For India, CSR is not a new concept and it has had a major influence on business, government, and society relationships (Balasubramanian et al., 2005). Companies like Tata Steel (the oldest and best known Indian steel company, whose founder was more a nation-builder than a businessman seeking profits) were very involved in trying to tackle many social problems even before the term CSR formally entered the vocabulary of management texts (Singh, 2008). In fact, “so deep and extensive was the commitment that it earned the sobriquet of being the company ‘that also made steel’ – suggesting that it often gave the impression of being primarily a social, rather than a business, organization” (Singh, 2008, p. 124).

The origins of CSR in India could be traced back to the days of Kings. According to Kautilya’s Arthashasthra, ‘in the welfare of the people lies the king’s welfare and in their happiness his happiness’ (cited in Jose et al., 2003).

R. Shamashastry was the librarian of Oriental Library in Mysore found a copy of the Sanskrit text of the Arthashatra in a palm-leaf book, edited, and brought out an English (Corporate Social Responsibility: a philosophical approach 417) version in 1909, it created waves in the western world. It was discovered that the Arthashatra written hundreds of years earlier provides a complete manual for running the state efficiently in all the branches, legislature, executive and judiciary. It also includes all aspects of state
administration such as establishing a governing hierarchy, selecting people, levying taxes, to laying down laws, to decide punishments for breaking the law, etc. (Muniapan and Shaikh, 2007). In his Arthashatra, Kautilya maintained that a king (leader or CEO in the context of organisation) should have no self-interest, happiness and joy for himself, his satisfaction lies in the welfare (happiness) of his people, i.e. he has to submerge his personality into the larger personality of his people. This is based on the cultural ethos of self-abnegation. Kautilya states in the happiness of his subject lies the happiness of the king; and in their welfare lies his welfare. He shall not consider as good only that which pleases him but treat as beneficialto him, whatever pleases his subjects. Bahujana sukhashya bahujana hitayacha – the welfare of the many and the happiness of the many. In fact, this concept of the happiness of the many need integrated into the area of corporate management as the basic principle. This ancient wisdom is also reflected in other languages. Two thousand years ago, Thiruvalluvar in Tamil Nadu wrote the Thirukkural and just like Kautilya’s Arthashastra, he also dealt with the characteristics of a well-run administration or socially responsible organisations.

Kautilya laid down three main responsibilities of a leader (king), they are :- raksha - which means security; palan – which means growth and yogakshma - which means welfare. The meanings & the context of the three responsibilities differ in depending upon the environmental context.

Kautilya stressed the importance of happiness to all stakeholders of an organisation. He stated that happiness is obtained not only by wealth and profit, but also by doing things rightly and doing right things (sukhasya moolamdharma). Dharma without wealth according to Kautilya is toothless (dharmaamysismoolam artha), and wealth without dharma is useless because a poor person cannot support the entire society. Indian culture has always emphasised that sukhasya moolam dharma and dharmaamysismoolam artha taken together – namely, wealth does not lead to directly happiness. Happiness for self and others results through ethical behaviour: wealth or resources make ethical behaviour possible. This also means that one must strive to generate wealth – resources and money – share it equitably to create happiness for oneself and others. Such generation of wealth must also be through ethical means, which alone would lead to overall happiness (Garde, 2003). Kautilya further stated to generate wealth you require an enterprise or an organisation or an asset (arthasya moolam rajyam). He then stated the support for organisation is the organs (rajyasya moolam indriyajayah), the functions, processes, activities, etc. The victory over organs of the body, which is the literal meaning of the word
Indiyajayah, is a well-known concept in the Indian culture and this refers to the control over the five organs of sense (eyes, ears, tongue, nose and skin), and on five organs of action (hands, feet, mouth, genitals and anus). Conquering the body organs are manifested through control over the six enemies of the mind – desires (kama), anger (krodha), greed (lobha), arrogance (mada), infatuation (moha) and envy (matsara). Only the governor or CEO who has conquered the organs of his body would be able to put the goals of the organisation first, especially when in conflict with self-interest (Muniapan and Shaikh, 2007). Although the insights of CSR provided in this paper are limited to Indian context, some of these ideas of CSR can also be applied universally.

In the nineteenth century, merchants and religious/ethnic groups came together to do something primarily for the community with some benefits also flowing outside the community (Jose et al., 2003). Religion and charity have always been linked with people in India brought up in an environment founded on the belief that giving is good (Jose et al., 2003). Even before India’s independence in 1947, businesses made significant contributions to schools, hospitals, and rural development (Mohan, 2001). After independence, large public sector companies carried out state-sponsored CSR activities (Mohan, 2001). More recently, Indian CSR is becoming an important part of longer-term business development initiatives (Balasubramanian et al., 2005).

Sundar (2000), a philanthropy researcher, gives a detailed account of philanthropic involvement of businesses in India against the backdrop of social, political, cultural and economic developments. Primarily, philanthropy was practiced especially in India by businessmen. Women did not seem to have a significant role to play in those times. Secondly the corporate philanthropy was largely driven by not foreign firms but indigenous business houses. Though European firms did have their presence, they were focusing more on amassing wealth and operating on profit motive rather than taking into cognizance economic development of the nation. However, there were some exceptions as some organizations have been in India over a longer period of time and became “Indianised”. Finally philanthropy was found to be largely associated with traditional family businesses.

There are few fundamental similarities between the progress of philanthropy in India and the West despite the gap witnessed in the socio-economic and cultural settings. There were quite a few factors that led to the development of modern philanthropy such as religious beliefs and sentiments linked with capital accumulation and industrial wealth. Further, both in the west and India philanthropic legal entities like foundations and trusts were found to be of similar
Corporate philanthropy in India is similar to the practices in the West though the concept in India was intensely based in beliefs of religious nature. Employee welfare programs, donations to charities, promoting religious conduct and beliefs and investment on education were some of the activities that business took when they started to become socially responsive. Charitable and educational organizations were funded by big companies as a symbol of humanitarian deeds. Of course, their interest was also to gain goodwill in the larger community. Soon after independence, CSR was viewed as an obligation of business to its social settings. Further, there was hardly any documentation regarding such conscious undertakings by enterprises. However, there was general awareness to take up social activities internationally so as to boost their presence in the environment around them. (Shinde, 2005)

Post independence the Chairman of Tata Group, J.RD. Tata became a pioneer in establishing CSR as a business model in India. The first industrial township for workers was set up by Tata Iron & Steel Company which had all facilities like living quarters, medical centers, educational institutions and parks. Public Sector Company Steel Authority of India Ltd also established industrial townships to benefit employees. A steel township was established around Rourkela steel plant in 1959 which is considered as one of the best city for cleanliness and sanitation. Besides engaging itself in the production and marketing of steel, the company also has welfare schemes for its employees which include providing medical facilities, educational institutions, cheaper commutation, entertainment centers, housing and canteen facilities. (Madhavi, 2002) As per TNS19 India, many CSR activities began in the private sector after the year 1991. Almost sixty percent of the companies surveyed initiated CSR during the years 1991-1995. A significant role was played by the liberalization era of nineties which gave impetus to CSR activities. A majority of public sector enterprises (PSE’s) were involved in CSR since 1971 and hence can be considered to have far more longer association with CSR. In addition to this a number of community organizations like Rotary and Lions Club have been involved in creating and inducing a sense of social responsibility among Indian private businesses (TNS India, 2008).
The Rise of Corporate Social Responsibility

The last twenty years have seen a radical change in the private sector’s relationship both with the state and civil society. Globalisation, deregulation, privatisation and a redrawing of the lines between state and market have changed the basis on which private enterprise is expected to contribute to the public good. Meanwhile, the relationship between companies and civil society has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society. These dynamics combined with the macro changes have led to the emergence of a new approach to Corporate Social Responsibility (CSR), with companies recognizing that improving their own impacts and addressing wider social and environmental problems will be crucial in securing their long-term success. Increasingly, high profile companies are implementing CSR processes such as public commitment to standards, community investment, continuous improvement, stakeholder engagement and corporate reporting on social and environmental performance.

CSR is now being discussed and debated in the public policy sphere – the UK has a Minister for Corporate Social Responsibility (in the Department for Trade and Industry), the EU has recently published a Green Paper on the subject, 2005 has been designated the European year of CSR, and the UN Global Compact is bringing together companies and UN agencies to address Corporate Social Responsibility.

European Commission’s Communication on Sustainable Development, from EU Green Paper (2001) Promoting a European framework for Corporate Social Responsibility, Brussels, Commission of the European Communities states that “Public policy also has a key role in encouraging a greater sense of corporate social responsibility and in establishing a framework to ensure that business integrate environmental and social considerations into their activities…Business should be encouraged to take a pro-active approach to sustainable development in its operations both within the EU and elsewhere.”

The basic drivers of CSR consist of:

1. Values; a value shift has taken place within businesses where they not only feel responsibility for wealth creation but also for social and environmental goods.

2. Strategy; being more socially and environmentally responsible is important for the strategic development of a company.
3. Public Pressure; pressure groups, consumers, media, the state and other public bodies are pressing companies to become more socially responsible.

Companies are often driven by one of the above but see a shift into other spheres over time. For example, for companies subject to high profile campaigns, such as Shell and Nike, the main driver for change has been public pressure. Over time CSR has gathered strength and strategic importance within the companies as it is seen as a way of creating sustainable value. However, in the main it has been public pressure centred on three key areas that has driven the CSR agenda. These comprise the environment, labour standards, and human rights, and it is no coincidence that these make up the nine principles of the UN Global Compact. Although CSR has primarily been the concern of transnational corporations (TNCs) it is increasingly involving small and medium enterprises (SMEs), both as suppliers to international companies and markets and as recipients of support through donor-led programmes to encourage economic development.

1.6 Theories & Models of CSR

Since 1958 when Bowen first threw open the idea, various theories & models of CSR & its related terms have emerged. They have all added to the rich literature of knowledge on CSR as it has evolved through the years. In this section, we shall discuss the various theories & models proposed by the researchers thereby gaining a deeper understanding about the topic.

Archie Caroll’s model of CSR

Archie Corroll’s model of CSR is one of the most cited theories of CSR. If one goes online to Google Images and searches for “Carroll’s Pyramid of CSR,” well over 100 variations and reproductions of the pyramidal model are presented there (Google Images) and over 5200 citations of the original article are indicated there (Google Scholar). Based on his four-part framework or definition of corporate social responsibility, Carroll created a graphic depiction of CSR in the form of a pyramid. CSR expert Dr. Wayne Visser has said that “Carroll’s CSR Pyramid is probably the most well-known model of CSR…” (Visser, 2006).

Carroll’s four part definition of CSR was originally stated as follows: “Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time” (Carroll 1979, 1991). This set of four responsibilities creates a foundation or infrastructure that helps to delineate in
some detail and to frame or characterize the nature of businesses’ responsibilities to the society of which it is a part.

A brief review of each of the four categories of CSR follows.

- **Economic responsibilities**

As a fundamental condition or requirement of existence, businesses have an economic responsibility to the society that permitted them to be created and sustained. At first, it may seem unusual to think about an economic expectation as a social responsibility, but this is what it is because society expects, indeed requires, business organizations to be able to sustain themselves and the only way this is possible is by being profitable and able to incentivize owners or shareholders to invest and have enough resources to continue in operation. In its origins, society views business organizations as institutions that will produce and sell the goods and services it needs and desires. As an inducement, society allows businesses to take profits. Businesses create profits when they add value, and in doing this they benefit all the stakeholders of the business.

Profits are necessary both to reward investor/owners and also for business growth when profits are reinvested back into the business. CEOs, managers, and entrepreneurs will attest to the vital foundational importance of profitability and return on investment as motivators for business success. Virtually all economic systems of the world recognize the vital importance to the societies of businesses making profits.

- **Legal responsibilities**

Society has not only sanctioned businesses as economic entities, but it has also established the minimal ground rules under which businesses are expected to operate and function. These ground rules include laws and regulations and in effect reflect society’s view of “codified ethics” in that they articulate fundamental notions of fair business practices as established by lawmakers at federal, state and local levels. Businesses are expected and required to comply with these laws and regulations as a condition of operating.

- **Ethical responsibilities**

Taking on ethical responsibilities implies that organizations will embrace those activities, norms, standards and practices that even though they are not codified into law, are expected nonetheless. Part of the ethical expectation is that businesses will be responsive to the “spirit”
of the law, not just the letter of the law. Another aspect of the ethical expectation is that businesses will conduct their affairs in a fair and objective fashion even in those cases when laws do not provide guidance or dictate courses of action. Thus, ethical responsibilities embrace those activities, standards, policies, and practices that are expected or prohibited by society even though they are not codified into law. The goal of these expectations is that businesses will be responsible for and responsive to the full range of norms, standards, values, principles, and expectations that reflect and honor what consumers, employees, owners and the community regard as consistent with respect to the protection of stakeholders’ moral rights.

As an overlay to all that has been said about ethical responsibilities, it also should be clearly stated that in addition to society’s expectations regarding ethical performance, there are also the great, universal principles of moral philosophy such as rights, justice, and utilitarianism that also should inform and guide company decisions and practices.

- **Philanthropic responsibilities**

  Corporate philanthropy includes all forms of business giving. Corporate philanthropy embraces business’s voluntary or discretionary activities. Certainly, the quantity and nature of these activities are voluntary or discretionary. They are guided by business’s desire to participate in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense. Having said that, some businesses do give partially out of an ethical motivation. That is, they want to do what is right for society. The public does have a sense that businesses will “give back,” and this constitutes the “expectation” aspect of the responsibility. When one examines the social contract between business and society today, it typically is found that the citizenry expects businesses to be good corporate citizens just as individuals are. To fulfill its perceived philanthropic responsibilities, companies engage in a variety of giving forms – gifts of monetary resources, product and service donations, volunteerism by employees and management, community development and any other discretionary contribution to the community or stakeholder groups that make up the community.

  Although there is sometimes an altruistic motivation for business giving, most companies engage in philanthropy as a practical way to demonstrate their good citizenship. This is done to enhance or augment the company’s reputation and not necessarily for noble or self-sacrificing reasons.
In summary, the four part CSR definition forms a conceptual framework that includes the economic, legal, ethical, and philanthropic or discretionary expectations that society places on businesses at a given point in time. And, in terms of understanding each type of responsibility, it could be said that the economic responsibility is “required” of business by society; the legal responsibility also is “required” of business by society; the ethical responsibility is “expected” of business by society; and the philanthropic responsibility is “expected/desired” of business by society (Carroll 1979, 1991). Also, as time passes what exactly each of these four categories means may change or evolve as well.

Figure 1.2 Graphical Depiction of Carroll’s Pyramid of CSR

The pyramid of CSR

The four-part definition of CSR was originally published in 1979. In 1991, Carroll extracted the four-part definition and recast it in the form of a CSR pyramid. The purpose of the pyramid was to single out the definitional aspect of CSR and to illustrate the building block nature of the four part framework. The pyramid was selected as a geometric design because it is simple, intuitive, and built to withstand the test of time. Consequently, the economic responsibility was placed as the base of the pyramid because it is a foundational requirement in business.
At the same time, society is conveying the message to business that it is expected to obey the law and comply with regulations because law and regulations are society’s codification of the basic ground rules upon which business is to operate in a civil society.

In addition, business is expected to operate in an ethical fashion. This means that business has the expectation, and obligation, that it will do what is right, just, and fair and to avoid or minimize harm to all the stakeholders with whom it interacts. Finally, business is expected to be a good corporate citizen, that is, to give back and to contribute financial, physical, and human resources to the communities of which it is a part. In short, the pyramid is built in a fashion that reflects the fundamental roles played and expected by business in society.

**Triple Bottom Line**

The phrase “the triple bottom line” was first coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility. His argument was that companies should be preparing three different (and quite separate) bottom lines. One is the traditional measure of corporate profit—the “bottom line” of the profit and loss account. The second is the bottom line of a company's “people account”—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company's “planet” account—a measure of how environmentally responsible it has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business.

In some senses the TBL is a particular manifestation of the balanced scorecard. Behind it lies the same fundamental principle: what you measure is what you get, because what you measure is what you are likely to pay attention to. Only when companies measure their social and environmental impact will we have socially and environmentally responsible organisations.

John Elkington strove to measure sustainability during the mid-1990s by encompassing a new framework to measure performance in corporate America. This accounting framework, called the triple bottom line (TBL), went beyond the traditional measures of profits, return on investment, and shareholder value to include environmental and social dimensions. By focusing on comprehensive investment results—that is, with respect to performance along the
interrelated dimensions of profits, people and the planet—triple bottom line reporting can be an important tool to support sustainability goals.

**Stakeholder Theory**

R. Edward Freeman (1984), 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.

Therefore 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. Broadly Stake holder theory explains, manager and leader should tailor their policy to satisfy numerous constituents, not only just shareholders – but the stakeholders. These stake holders include workers, customers, suppliers, and community organizations.

Stakeholder theory, which has been described by Edward Freeman and others, is the mirror image of corporate social responsibility. Instead of starting with a business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world. It lists and describes those individuals and groups who will be affected by (or affect) the company’s actions.

The first five on the list—shareholders, workers, customers, suppliers, and community—may be cited as the five cardinal stakeholders. The outer limits of stakeholding are blurry. In an abstract sense, it’s probably true that everyone in the world counts as a stakeholder of any serious factory insofar as we all breathe the same air and because the global economy is so tightly linked that decisions taken in a boardroom in a small town on the East Coast can end up costing someone in India her job and the effects keep rippling out from there.

The shareholder theory was originally proposed by Milton Friedman and it states that the sole responsibility of business is to increase profits. It is based on the premise that management are hired as the agent of the shareholders to run the company for their benefit, and therefore they are legally and morally obligated to serve their interests. The only qualification on the rule to make as much money as possible is “conformity to the basic rules of the society, both those embodied in law and those embodied in ethical custom.”
The shareholder theory is now seen as the historic way of doing business with companies realising that there are disadvantages to concentrating solely on the interests of shareholders. A focus on short term strategy and greater risk taking are just two of the inherent dangers involved. The role of shareholder theory can be seen in the demise of corporations such as Enron and Worldcom where continuous pressure on managers to increase returns to shareholders led them to manipulate the company accounts. Stakeholder theory, on the other hand, states that a company owes a responsibility to a wider group of stakeholders, other than just shareholders.

**Ackerman’s Model of CSR**

Robert Ackerman was among the first to suggest that responsiveness, not responsibility should be the goal of corporate social endeavors. Ackerman pointed out that corporate response to social issues has a life cycle, starting with corporate recognition of the problem, continuing through study of the problem and consideration of ways to deal with it, and concluding with implementing a solution. Implementation often comes slowly and at some point a company may lose the initiative as government or public opinion forces it to act. Managers must be responsive to problems early to retain the largest amount of managerial discretion.

Even before the concept of modelling CSR initiatives according to priorities or liabilities or even responsibilities came into the picture, Ackerman proposed his model that was laid down in three phases (Ackerman & Bauer, 1976). More than a model, it was a strategy that guided the implementation of CSR activities, but not their formulation. The first phase was about the top managers recognizing a social problem, the second phase was an intensive study of the problem and finding out solutions by hiring experts and the last phase was implementation of the proposed solutions. It is obvious that this model, rather a plan, merely provides strategies to deal with problems having social implications. Other parameters and constraints of CSR activities did not come under the purview of this model.

Addressing this need to look at how organisation-specific stakeholder issues should be managed, Ackerman and Bauer (1973 and 1976) argue that each social issue has a specific 'life cycle' which denotes its development within the organisation. Consisting of three stages - policy, learning and organisational commitment - the positioning of each stakeholder issue within the context of this life cycle is expected to determine correspondent organisational responses (Ackerman, 1973; Ackerman and Bauer, 1976). The key contribution of this model
is the need to implement social/stakeholder issues through the regular operations of the firm so that they are not considered to be 'external programmes'. Whilst the Ackerman and Bauer (1976) model provided a framework for managing and organising a company's CSR practice related to each specific social/stakeholder issue.

**Lantos Model of CSR**

Lantos (2001) identified the following strands of CSR: (a) ethical CSR, (b) altruistic CSR and (c) strategic CSR. According to him, ethical CSR is a firm's mandatory fulfillment of economic, legal and ethical responsibilities.

Altruistic CSR is the same as the philanthropic responsibility. Lantos argued that it would only be possible for private firms to be philanthropic and irresponsible on the part of public corporations as they do not have the right to use the funds of shareholders (who might also be involved in private philanthropy) for public philanthropy.

Strategic CSR is —Good works that are also good for the businesses. Lantos, therefore, proposed that ethical CSR, grounded in the concept of ethical duties and responsibilities, is mandatory; concludes that strategic CSR is good for business and society; and advises that marketing take a lead role in strategic CSR activities. (69)

Lantos (2001) distinguished between three types of CSR, which he referred to as ethical, altruistic, and strategic. Ethical CSR is morally mandatory and goes beyond fulfilling a firm’s economic and legal obligations to its responsibility to avoid harm or social injuries, even in cases where the business does not directly benefit. Actions are taken because they are right, not merely because they are mandated by law or are profitable (e.g., money spent on product safety or pollution control). Lantos (2001) argues in this respect that there is nothing commendable about this level of fulfillment of “social responsibilities,” since it is what is ordinarily expected in the realm of morality. As illustrated in Table 1, according to this conceptualization, ethical CSR encompasses the economic, legal, and ethical responsibilities outlined by Carroll (1979, 1991). Hence, a corporation is morally responsible to any individuals or groups where it might inflict actual or potential injury (physical, mental, economic, spiritual, and emotional) from a particular course of action.

Altruistic CSR according to Lantos (2001) is humanitarian/philanthropic CSR, which involves genuine optional caring, irrespective of whether the firm will reap financial benefits or not. Examples include efforts to alleviate public problems (e.g., poverty, illiteracy) in an
attempt to enhance society’s welfare and improve the quality of life. Firms practicing altruistic CSR go beyond their morally mandated obligations (ethical CSR) to assuming liability for public welfare deficiencies that they have not caused. Lantos (2001) argues in this respect that altruistic CSR, although noble and virtuous, could conflict with the profit-making orientation of business firms, and hence may lie outside the proper scope of their activities.

TABLE 1.4 CSR Classifications (Carroll, 1979, 1991; Lantos, 2001, 2002)

<table>
<thead>
<tr>
<th>Carroll (1979; 1991) Classification</th>
<th>Lantos (2001) Corresponding Classification</th>
</tr>
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<tbody>
<tr>
<td>Economic responsibility: entails profitability for shareholders, good jobs for employees, and quality products for customers</td>
<td>-</td>
</tr>
<tr>
<td>Legal responsibility: entails compliance with laws and playing by the rules of the game</td>
<td>-</td>
</tr>
<tr>
<td>Ethical responsibility: entails doing what is right, just and fair and avoiding harm</td>
<td>Ethical responsibility: mandatory fulfillment of a firm’s economic, legal, and ethical responsibilities</td>
</tr>
<tr>
<td>Philanthropic responsibility: entails making voluntary contributions to society, by giving time and money to social activities</td>
<td>Altruistic responsibility: fulfillment of an organization’s philanthropic responsibilities, irrespective of whether the business will reap financial benefits or not</td>
</tr>
<tr>
<td>-</td>
<td>Strategic responsibility: fulfillment of philanthropic responsibilities that will simultaneously benefit the bottom line</td>
</tr>
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</table>

Strategic CSR on the other hand is strategic philanthropy aimed at achieving strategic business goals while also promoting societal welfare. The company strives in this respect to identify activities and deeds that are believed to be good for business as well as for society. This is a type of philanthropy that is aligned with profit motives (Quester and Thompson 2001). Expenditures on strategic CSR activities are typically intended as long-term investments that are likely to yield financial returns (Vaughn 1999).

Two important distinctions in Lantos’ (2001) conceptualization merit attention. The first distinction made by Lantos (2001) pertains to the nature of the CSR in question, which he classified as mandatory (ethical) versus voluntary (social). Ethical CSR from this perspective extends beyond economic and legal obligations to comprise the mandatory fulfillment of the various ethical duties of the firm in its capacity as a morally responsible agent.
Balanced Score Card by Kaplan & Norton

The Balanced Scorecard (BSC) was originally developed by Dr. Robert Kaplan of Harvard University and Dr. David Norton as a framework for measuring organizational performance using a more BALANCED set of performance measures. Traditionally, companies used only short-term financial performance as a measure of success. The “balanced scorecard” added additional non-financial strategic measures to the mix in order to better focus on long-term success. The system has evolved over the years and is now considered a fully integrated strategic management system.

Figure 1.3 Balanced Scorecard Framework

The balanced scorecard is a management system aimed at translating an organization's strategic goals into a set of performance objectives that, in turn, are measured, monitored and changed if necessary to ensure that the organization's strategic goals are met. The BSC can be understood as a management system, which is structured according to the logic of the cybernetic management circle (“plan-do-check-act”).

The balanced scorecard approach examines performance from four perspectives.
• Financial analysis, which includes measures such as operating income, sales growth and return on investment.

• Customer analysis, which looks at customer satisfaction and retention.

• Internal analysis, which looks at how business processes are linked to strategic goals.

• Learning and growth analysis, which assesses employee satisfaction and retention, as well as information system performance.

Kaplan and Norton cited two main advantages to the four-pronged balanced scorecard approach. First, the scorecard brings together disparate elements of a company's competitive agenda in a single report. Second, by having all of the important operational metrics together, managers are forced to consider whether one improvement has been achieved at the expense of another.

**Bottom of Pyramid Model by C.K. Prahlad**

The new terminology Bottom of the Pyramid was first coined in the study ‘The fortune at the Bottom of the Pyramid’ by authors C.K. Prahalad and S.L. Hart in 2002. Bottom of the Pyramid constitute the largest but poorest socio-economic group of people who are basically based in underdeveloped countries where most of people live with less than 2$ a day and also illustrate the importance of those consumers in the world. According to the research made by Prahalad and Hart, from all six billion market four billion of them are in the group of low income people. Having these into a consideration, authors suggest different approach toward as they called the consumers in fourth tire. (See figure below)

For about two decades, an increasing number of multinational corporations have embraced the possibility to find growth or strategic opportunities by targeting low-income consumers’ needs, while contributing to alleviate their poverty. This promise was popularized by C.K. Prahalad and other management scholars around the concept of Bottom (or Base) of the Pyramid (BoP), referring to the 4 billion people living with less than 3,000 dollars per year in purchasing power parity (Prahalad & Hart, 2002). This combined economic and societal value creation objective appears difficult to reach as some firms have relegated their BoP initiatives to philanthropy or simply dismantled them. While some authors argue that BoP strategies must be considered fundamentally as a business (Simanis, 2012), others urge MNCs to incorporate the core ethical dimension of corporate social responsibility (Davidson,
More recently, strategy scholars as Porter and Kramer (2011) specifically mobilized BoP strategies as a source of “shared value creation”, reasserting the recent evolution of the business case for CSR. Nevertheless, no clear proof of a dual financial and social value creation has been reported so far for BoP initiatives.

Many believe that Corporate Social Responsibility Boosts Value Creation at the Base of the Pyramid. Companies launched profit-driven ventures targeting BoP markets which would lead to poverty alleviation (Prahalad & Hammond, 2002; Prahalad & Hart, 1999). As depicted by Simanis and Milstein (2012), first ventures have been widely studied. Initiatives led by Hindustan Lever Ltd in India and its Wheel detergent, or P&G and its Pur water purification sachets shed light on the potential for MNCs to reach untapped markets by selling to the poor.

On the societal value creation side, the BoP concept initially stipulates that market-based approaches, alongside profit generation for MNCs, will lead to poverty alleviation or broader development for poor populations (Prahalad & Hart, 1999). Prahalad argues that BoP populations will benefit from a social and economic transformation thanks to the consumption of an increased choice of products and services provided through market mechanisms.
Chatterjee Model

A new CSR model named the ‘Chatterjee Model’ is distinctly different from the other CSR models like the Porter’s ‘shared value’, Elkington’s ‘triple bottom line’ and Prahalad’s ‘Fortune at the bottom of the pyramid’; but is also unique as it has already established itself as a legislation in the world’s largest democracy, India.

It is under the backdrop of an emerging India, with its own challenges and dilemmas, that the Chatterjee model was formulated to streamline the CSR roles and responsibilities of the Corporations and ensure accountability and transparency in their efforts. The propounder of the model, Dr. Bhaskar Chatterjee argues through this model, that ‘CSR should contribute to the National Agenda in emerging economies.’

Moreover, the Chatterjee model is not only unique to the Indian socio-economic, environmental context; but is also a pioneer in the study of mandated CSR as a new area of research. India is the third country in the world that has a 2% CSR mandate, next only to Mauritius and Indonesia. However, each one has its own unique features to suit the needs and requirements of their respective countries. In other words, the study of the Chatterjee model is a live study of the CSR mandate in the second most populous country and the largest democracy of the world.

This model was initially launched as the CSR Guidelines for the Public Sector Enterprises of India which became effective from April 1, 2010. Later, Dr. Chatterjee was instrumental in incorporating Section 135 into the Companies Act, 2013 (the Act) which made CSR mandatory for certain stable companies having a net worth of (Indian Rupee) INR five billion or more, or a turnover of INR ten billion or more, or a net profit of INR 50 million or more during any financial year. Not stopping there, this Act also laid down a Schedule VII, detailing the priority areas where such CSR resources needs to be spent.

This CSR mandate has been created ‘For India, By India, In India’, keeping in mind the unique Indian context and is ‘Linked To The Inclusive Development Agenda Of The Nation’ (Chatterjee & Mitra 2016b).

The crux of the Chatterjee Model, lay in the fact that certain large, stable Corporations must ensure certain percentage of CSR spent on specific projects beyond their core business and legislative duties, in areas as laid down in accordance with the National priorities (here, Schedule VII) and should have clear outcome-orientation, have a budget and people
assigned to it, and, that can be clearly implemented, measured, reported, audited, thereby harnessing the strength of the Corporations.

In other words, the model lays stress on projectivisation of CSR activities of these stable Corporations, that ensures complete transparency and accountability. The Company should look at it as a serious endeavour; to really be able to strategize as to what it is doing, why it is doing, what are the results that will flow from there, that will build up to contribute to the National Agenda. This contribution to national agenda is scientific process driven with a timeline and specific outcome orientation, closely monitored, measured and audited.

This model entails that CSR must be authorized only by the Board of the Company, comprising of three or more Directors, out of which at least one Director shall be an Independent Director and they will be accountable for every decision, every single INR spent on CSR, as well as issuance of a responsibility statement of the CSR Committee confirming that the implementation and monitoring of CSR Policy is in compliance of CSR objectives and Policy of the company. Thus, through this model, CSR, for the first time, came from the backroom to the boardroom.

Further, the Chatterjee model of CSR acknowledges that it is not possible for the mandated companies to directly implement at the grassroot level to bring about this transformation. So, the model propounded that, with the responsibility of projectivisation remaining with the Company, the Companies can implement the CSR projects, approved by the CSR Committee, through civil societies, which in India are certain registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under Section 8 of the Company’s Act, 2013.

Infact, India has a strength of 3.3 million registered Non-Governmental Organizations that has the experience and expertise of working at the grassroot level. So, the Chatterjee model visualized a plan of partnerships and collaborations, that will build on each other’s strengths - the Corporations with its time, money and energy resources; and the partners (civil societies/NGOs) with its manpower (expertise and experience) resources to contribute on the National priorities as laid down by the Schedule VII.

To ensure transparency and accountability, this model further makes reporting into the 8-column ‘Format for the Annual Report on CSR Activities mandatory to be included in the Board’s Report’. This reporting concept is based on the principle of “comply or explain”.

This means that although a company should spend 2% of its net profit on CSR projects and programmes, if, in a financial year, it does not do so, it is called upon to provide an “explanation” on its website and also in the Annual Director’s Report. The Government does not stand in judgment on the quality or the validity of the explanation. However, if the company fails to comply with the 2% norm and also fails to provide any explanation, then it stands to be held accountable under Section 134 of the Companies Act, 2013 which provides for stringent punitive measures (Chatterjee & Mitra, 2016a). Thus, this entails complete and total transparency for each of the mandated Company.

**Different Basic Models/Approaches to CSR**

It has been suggested that there are four models of social responsibility that operate in India:

1. The ethical (Gandhian) model
2. The statist (Nehruvian) model.
3. The liberal (Friedman) model.
4. The stakeholder (Freeman) model (Balasubramanian et al., 2005; Kumar et al., 2001).

Gandhi, Nehru, Friedman, and Freeman respectively were champions of these four models. In the ethical model the focus is on “voluntary commitment by companies to public welfare”, in the Statist model, “state ownership and legal requirements determine corporate responsibilities”, in the liberal model “corporate responsibilities are limited to private owners”, and in the stakeholder model “companies respond to the needs of stakeholders – customers, employees, communities, etc.” (Kumar et al., 2001, p. 2).

### Table No. 1.5 Models of Social Responsibility in India

<table>
<thead>
<tr>
<th>MODEL</th>
<th>FOCUS</th>
<th>CHAMPIONS</th>
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<tbody>
<tr>
<td>Ethical</td>
<td>Voluntary commitment by companies to public welfare</td>
<td>Mahatma Gandhi</td>
</tr>
<tr>
<td>Statist</td>
<td>State ownership and legal requirements determine corporate responsibility</td>
<td>Jawaharlal Nehru</td>
</tr>
<tr>
<td>Liberal</td>
<td>Corporate responsibilities limited to private owners(shareholders)</td>
<td>Milton Friedman</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Companies respond to the need of stakeholders- customers, employees, communities etc.</td>
<td>R. Edward Freeman</td>
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**Ghandhiji’s Trusteeship Model**

Gandhi’s doctrine of Trusteeship is a social and economic philosophy aiming to bring justice in the society.
Gandhi ji viewed that the wealthy people in society hold wealth and property, not by virtue of being owners but by virtue of being trustee of their wealth and properties because all means of production are associated with all the people in the society. This wealth belongs to all and wealthy must use it in such a way that it achieves end (i.e. fulfils the need of all).

The doctrine assumes great relevance nationally as well as internationally keeping in mind the growing inequality, and poverty e.g. Oxfam report reveals that 1% people in the world owns 50% of world's total wealth and particularly in India 1% people owns 73% of total wealth in India. This entire picture unearths the socio-economic injustice prevailing in our society intra-state, inter-state and internationally.

It has been one of the core beliefs of our tradition that everything in the cosmos belongs to God and thereby to all, and not to any individual. Once this basic premise is accepted, then man would remain nothing but a trustee. He would never consider himself as the sole owner of anything. Based on such basic understanding Gandhi ji gave a new orientation to the much age old concept of trusteeship. He wrote: ‘Everything belonged to God and was from God. Therefore it was for His people as a whole, not for a particular individual. When an individual had more than his proportionate portion he became a trustee of that portion for God’s people. God who was all-powerful had no need to store. He created from day to day; hence men also should in theory live from day to day and not stock things. If this truth was imbibed by the people generally, it would become legalized and trusteeship would become a legalized institution.’ (Harijan, 23-2-1947, p. 39) Every member of the society would have to utilise his mental, moral, physical and material resources for the common interest and welfare of the society and not for his self-interest.

The real test of a well-organised society is not the number of rich people it has in its midst, but to what extent it is free from starvation and malnutrition. Gandhi ji averred that the rich and the powerful might utilise their skill and talent to make millions, but even their self-earned wealth should be utilised in the common interests of the society.

His critics believe that Gandhi’s idea of trusteeship is too good to be true and implemented in its real spirit. But if the society constantly harps on it and also takes practical steps for its implementation, then the life on earth could be free from exploitation and domination and even from conflict situations. In such a case, the social order could be based on cooperation, co-existence and mutual love and respect.
Besides, Gandhi has great faith in the goodness and perfectibility of man. He favoured the idea that, “the society should be built on need and not on greed, as there is no limit to greed, but there is a limit to our need.” He wanted the society to be built up on the basic principle that each one of us should work according to his capacity and should receive things according to his needs. Fortunately, these ideas in their own ways are being integrated in the modern system of management.

JRD Tata, the founder of the Tata group said that, “I believe that the essential problem about the role of business cannot be resolved within our current framework of thinking unless we add another element – The element of Trusteeship”

The TATA group of companies is based around this principle. Trusteeship is the model of responsibility that best describes the group founder – JRD Tata’s view of himself and his role in the world. It was a view that JRD essentially derived from Gandhi. Gandhi talked frequently about the role of business as being that of a trustee or a steward for what you hold. Gandhi’s view of trusteeship was based on the belief that we do not really ‘own’ our wealth but are only trustees of it, meaning that we have to administer our wealth for the benefit and betterment of the community. In the trusteeship model, wealth does not automatically go to the family members but only to those who can function as its trustees. Thus, this idea of trusteeship challenged the fundamental principles of a capitalist society. JRD adopted this framework and implemented it in a practical way within the TATA ethos.

While there are many aspects to trusteeship in its ideal Gandhian form, the fundamental concept of trusteeship is about equity and sustainable growth. When viewed from this lens a Trusteeship approach puts emphasis on reconfiguring social and business structures so that people feel both individually empowered and inclined to act in the common interest. (Ref – India of my dreams – Gandhi)

In the chapter 84 of the book titled - The Mind Of Mahatma Gandhi (Encyclopedia of Gandhi's Thoughts) which was Compiled & Edited by R. K. Prabhu & U. R. Rao, Gandhiji gave his thoughts on Corporate Sanitation. He said that, “No municipality can cope with insanitation and congestion by the simple process of taxation and paid services. This vital reform is possible only by wholesale and voluntary co-operation of the people, both rich and poor.”
Chapter 46 of the book talked about Gadhiji’s thoughts on ‘The Philosophy of Yajna’. Yajna means an act directed to the welfare of others, done without desiring any return for it, whether of a temporal or spiritual nature. ‘Act’ here must be taken in its widest sense, and includes thought and word, as well as deed. ‘Others” embraces not only humanity, but all life.... Again, a primary sacrifice must be an act which conduces the most to the welfare of the greatest number in the widest area, and which can be performed by the largest number of men and women with the least trouble. It will not, therefore, be a yajna, much less a mahayajna, to wish or to do ill to anyone else, even in the order to serve a so-called higher interest. And the Gita teaches and experience testifies that all action that cannot come under the category of yajna promotes bondage. The world cannot subsist for a single moment without yajna in this sense, and therefore, the Gita, after having dealt with true wisdom in the second chapter, takes up in the third the means of attaining it, and declares in so many words that yajna came with the Creation itself. This body, therefore, has been given us only in order that we may serve all Creation with it. And therefore, says the Gita, he who eats without offering yajna eats stolen food. Every single act of one who would lead a life of purity should be in the nature of yajna. Yajna having come to us with our birth, we are debtors all our lives, and thus for ever bound to serve the universe. The path of service can hardly be trodden by one who is not prepared to renounce self-interest, and to recognize the conditions of his birth. Consciously or unconsciously, every one of us does render some service or other. If we cultivate the habit of doing this service deliberately, our desire for service will steadily grow stronger, and will make not only for our own happiness, but that of the world at large.

**Two-Dimensional Model by Quazi & O’Brien**

Ali M Quazi and Dennis O’Brien (2000) felt that the Models for Corporate Social Responsibility advanced by western thinkers are descriptive and do not account for the complexity of the actual world having diverse environment, different socio-cultural environment and varied market realities. To overcome these deficiencies, a two dimensional model was proposed having one dimension as Span of Corporate Responsibility (narrow and wider prospective) and another the Range of Outcomes of Social Commitments of business (cost to benefit driven prospective)

As evident from the diagram, the plane is divided in four quadrants giving four different point of view of Corporate Social Responsibility.
Classical Approach By Adam Smith

Adam Smith, (1937) was the exponent of classical viewpoint and has a belief regarding social responsibility that in a capitalistic free enterprise economy an invisible hand is continually at work for the good of the public. It is the invisible hand—the competitive system itself that protects the society. The classical theorist believed that the values of capitalism originate when business selfishly pursues its profit objective while competing with other business, the system forces it to be efficient and to produce the best possible product at the lowest price.

They further also believed that business should produce what people need and they deal fairly and honestly with the public. The need for a good public image required companies to be fair in dealing with their employees and free competition for jobs encourages employees to be efficient and productive.

The classical position concerning business investment in social programmes is well expressed by Milton Friedman too. He states —In a free enterprise private property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers that a responsibility is to conduct the business in accord with their desires.
Agency Theory By Milton Friedman (1970)

He has explained that the firms overall objectives are to maximize the profit and CSR is indicative of self-serving behavior on the part of the managers and thus, reduces shareholders wealth. An agency theory perspective implies that CSR is a misuse of corporate resources that would be better spent on valued-added internal projects or returned to shareholders. It also suggests that CSR is an executive perk, in the sense that managers use CSR to advance their careers or other personal agendas.

1.7 International Organisations, Guidelines & Standards on CSR

If we take a look at the CSR initiatives being undertaken worldwide, we would find that Global organisations like UN, World Bank & regional trade blocks like ASEAN, EU, SAARC, etc have all taken a note of the various economic, social & environmental issues & made efforts to recognize the importance of CSR in the recent years.

World Business Council for Sustainable Development (WBCSD)

A 2003 World Bank/IFC commissioned study identified the WBCSD as one of the "most influential forums" for companies on corporate social responsibility (CSR) issues.

The World Business Council for Sustainable Development (WBCSD) is a CEO-led, global association of some 200 international companies dealing exclusively with business and sustainable development.

Its origins date back to the 1992 Rio Summit, when Stephan Schmidheiny, a Swiss business entrepreneur, was appointed chief adviser for business and industry to the secretary general of the United Nations Conference on Environment and Development (UNCED), better known as the Rio de Janeiro Earth Summit of 1992. He created a forum called "Business Council for Sustainable Development", which went on to become Changing Course, a book that coined the concept of Eco-efficiency.

The WBCSD was created in 1995 in a merger of the Business Council for Sustainable Development and the World Industry Council for the Environment and is based in Geneva, Switzerland with an office in Washington, D.C.

The objectives of WBCSD are to:

- Be a leading business advocate on sustainable development;
• Participate in policy development to create the right framework conditions for business to make an effective contribution to sustainable human progress;
• Develop and promote the business case for sustainable development;
• Demonstrate the business contribution to sustainable development solutions and share leading edge practices among members;
• Contribute to a sustainable future for developing nations and nations in transition.

WBCSD's 10 messages by which to operate

1. Business is good for sustainable development and sustainable development is good for business.
2. Business cannot succeed in societies that fail.
3. Poverty is a key enemy to stable societies.
4. Access to markets for all supports sustainable development.
5. Good governance is needed to make business a part of the solution.
6. Business has to earn its licence to operate, innovate and grow.
7. Innovation and technology development are crucial to sustainable development.
8. Eco-efficiency – doing more with less - is at the core of the business case for sustainable development.

WBCSD India

The WBCSD India office provides a resource base to the India offices of our member companies, enabling them to become more engaged in the work programs and products of WBCSD.

It provides a platform for members to engage with other Indian corporates, industry, policy, NGO and media audiences to address sustainability challenges.

A group of global businesses with operations in India have worked with the Government of Gujarat and the four largest cities in the state (Ahmedabad, Rajkot, Surat and Vadodara) to identify inclusive and sustainable solutions to key urban development challenges faced by these cities.
The Gujarat study is the first time the UII has engaged with a region and a group of cities, rather than one individual city.

TERI

Business Sustainability is the opportunity for business to improve its profitability, competitiveness, and market share without compromising resources for future generations. TERI-BCSD (formerly called CoRE BCSD India) is a guide to the Indian corporate diaspora encouraging business people to develop a vision of a sustainable company, translate that vision into a management action plan and turn sustainability into a competitive advantage. TERI-BCSD is an independent and credible platform for corporate leaders to address issues related to sustainable development and promote leadership in environmental management, social responsibility, and economic performance (the triple bottom line). TERI-BCSD is a partner of the WBCSD (World Business Council for Sustainable Development), Geneva and a member of its regional network. Presently, the network has more than 100 corporate members across India representing a varied section of Indian industry. Subject experts from these member corporates identify and conceptualize projects and a team of industry members and TERI researchers then work to develop appropriate solutions and strategies for use by the industry. Workshops, trainings, seminars, events and publications are the other outreach activities of the business network. It connect companies, partners, stakeholders and government organizations to address issues and opportunities among sectors and in supply chains.

The UN Global Compact (UNGC)

The UNGC is a call to all companies around the globe to voluntarily align their operations & strategies with the Ten Universally Accepted Principles in the areas of Human Rights, labour, Environment & anti-corruption & to take action in implementing the Millenium Development Goals set by the UN. Endorsed by the chief executives, the UNGC is a leadership platform for the development, implementatation & disclosure of responsible corporate policies & practices. Launched in 2000, it is the largest CSR initiative in the world-withover 8,000 signatories based in more than 135 countries. Launched in July 2000, the UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible and sustainable corporate policies and practices. Endorsed by chief executives, it seeks to align business operations and strategies
everywhere with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Through a wide spectrum of specialized work streams, management tools, resources, and topical programs, the UN Global Compact aims to advance two complementary objectives:

- Mainstream the ten principles in business activities around the world
- Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

The Ten Principles of UNGC

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

**Human Rights**

- **Principle 1**: Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2**: make sure that they are not complicit in human rights abuses.

**Labour**

- **Principle 3**: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4**: the elimination of all forms of forced and compulsory labour;
- **Principle 5**: the effective abolition of child labour; and
- **Principle 6**: the elimination of discrimination in respect of employment and occupation.

**Environment**
- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

By doing so, business, as the primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere and contribute to a more sustainable and inclusive global economy.

The UN Global Compact is not a regulatory instrument, but rather a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation and collective action.

**UNGC in India**

The Global Compact was launched in India at a high-level meeting of Business Leaders in Mumbai on 4 December, 2000 and over 100 leading organizations from India have joined the initiative to date. In November, 2003 the Global Compact Society (GCS) was formed and registered in New Delhi as an all India forum for organizations participating in the UN Global Compact.

In September, 2007 the Confederation of Indian Industry (CII) and the Global Compact Office entered into a Memorandum of Understanding whereby the CII formally strengthened its commitment to advancing the principles of the UN Global Compact – both in India and around the world. CII further pledged to build the capacity of corporations operating in India and around the world to implement the principles of the Global Compact within their business operations, and to leverage the delivery capacity of the Global Compact through the organization’s “Centres of Excellence”.

**The Global Compact Society in India**

The main objective of the the Global Compact Society is to provide a forum for Indian companies and organizations to exchange experiences, network and work together on activities related to Corporate Social Responsibility (CSR) and the Global Compact.
The GCS undertakes a number of activities to create awareness and to assist Global Compact participants in India to internalize the UN Global Compact ten principles. The GCS also facilitates projects/activities among participants and conducts training sessions to ensure participants fulfill the Global Compact’s annual “Communication on Progress” (COP).

**Millennium Development Goals (MDGs)**

The Millennium Development Goals (MDGs) are eight international development goals that were established following the Millennium Summit of the United Nations in 2000, following the adoption of the United Nations Millennium Declaration. All 189 United Nations member states at the time (there are 193 currently) and at least 23 international organizations committed to help achieve the Millennium Development Goals by 2015, the goals follow:

1. To eradicate extreme poverty and hunger
2. To achieve universal primary education
3. To promote gender equality and empowering women
4. To reduce child mortality rates
5. To improve maternal health
6. To combat HIV/AIDS, malaria, and other diseases
7. To ensure environmental sustainability
8. To develop a global partnership for development\(^1\)

Each goal has specific targets and dates for achieving those targets.

**The Global Reporting Initiative (GRI)**

The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic sustainability. It produces one of the world's most prevalent standards for sustainability reporting — also known as ecological footprint reporting, environmental social governance (ESG) reporting, triple bottom line (TBL) reporting, and corporate social responsibility (CSR) reporting. GRI seeks to make sustainability reporting by all organizations as routine and comparable to financial reporting.

A sustainability report is an organizational report that gives information about economic, environmental, social and governance performance.

GRI Guidelines are regarded to be widely used. More than 4,000 organizations from 60 countries use the Guidelines to produce their sustainability reports. GRI Guidelines apply to corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others.
GRI’s Sustainability Reporting Framework is a reporting system that enables all companies and organizations to measure, understand and communicate this information. GRI’s mission is to make sustainability reporting standard practice; one which helps to promote and manage change towards a sustainable global economy.

**GRI Focal Point India**

The GRI Focal Point India provides guidance and support to local organizations, driving GRI’s mission to make sustainability reporting standard practice.

GRI undertook a joint initiative with IICA-GIZ BR Initiative on creating the Linkage Document between the National Voluntary Guidelines (NVGs) released by the Ministry of Corporate Affairs, Business Responsibility Report (BRR) and the GRI Guidelines.

India is a newly industrialized country and a key market for boosting the practice of sustainability reporting. By having an office on the ground, GRI can help change the sustainability reporting landscape and improve overall transparency. Since the Focal Point was established, the number of reporters in India has increased.

Focal Point India operates at the heart of the CSR and sustainability landscape in India. The Focal Point has an important strategic collaboration with the Indian Institute of Corporate Affairs (IICA), an independent think tank under the Ministry of Corporate Affairs, Government of India through the IICA-GIZ CSR initiative.

**World Bank**

The World Bank seeks to strengthen the collaboration between corporate business strategies and national development priorities by supporting the Government of India’s Ministry of Corporate Affairs (MCA) in its efforts to develop the CSR activities of corporate enterprises. World Bank support is channeled through the Ministry’s Indian Institute of Corporate Affairs (IICA) for the private sector and the Department of Public Enterprises (DPE), Government of India for state owned enterprises.

The main objective of the World Bank’s support in the form of ongoing technical assistance is to foster an enabling environment for the corporate sector to work towards social inclusion and the achievement of the Millennium Development Goals in partnership with government, non-government organizations, civil society organizations and communities. The cornerstone of this assistance is the World Bank’s ability to facilitate the sharing of best international
practice - from both developing and industrialized countries - to inform India’s growing CSR agenda. Key areas of engagement include: analytical activities, institutional design, shareholder consultations, capacity building and knowledge sharing.

World Bank support has helped the Indian Institute of Corporate Affairs (IICA) to establish the National Foundation for CSR (NFCSR). Ongoing capacity building efforts are helping to structure NFCSR activities and, more broadly, to strengthen its ability to play an independent catalytic role in coalescing and bringing together CSR players and stakeholders to address India’s most pressing development goals. The World Bank is also engaged in helping the Department of Public Enterprises to develop an independent institutional structure to facilitate the CSR work of state owned enterprises, or public sector enterprises (PSEs) as they are referred to in India.

**European Union (EU)**

The Commission has defined CSR as the responsibility of enterprises for their impact on society. CSR should be company led. Public authorities can play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation. Companies can become socially responsible by following the law & integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.

CSR is important since it is in the interest of the enterprise, the economy & the society at large.

- In the interest of enterprises - CSR provides important benefits to companies in risk management, cost savings, access to capital, customer relationships, HR management, and their ability to innovate.
- In the interest of the EU economy - CSR makes companies more sustainable and innovative, which contributes to a more sustainable economy.
- In the interests of society - CSR offers a set of values on which we can build a more cohesive society and base the transition to a sustainable economic system.

The Commission promotes CSR in the EU and encourages enterprises to adhere to international guidelines and principles. The EU’s policy is built on an agenda for action to support this approach. The EU strategy on CSR includes:

1. Enhancing the visibility of CSR and disseminating good practices
2. Improving and tracking levels of trust in business
3. Improving self and co-regulation processes
4. Enhancing market rewards for CSR
5. Improving company disclosure of social and environmental information
6. Further integrating CSR into education, training, and research
7. Emphasising the importance of national and sub-national CSR policies
8. Better aligning European and global approaches to CSR.

The Organisation for Economic Co-operation and Development (OECD)

The mission of the Organisation for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world.

The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. We work with governments to understand what drives economic, social and environmental change. We measure productivity and global flows of trade and investment. We analyse and compare data to predict future trends. We set international standards on a wide range of things, from agriculture and tax to the safety of chemicals.

The OECD Guidelines are recommendations by governments to multinational enterprises (MNEs) operating in or from the 33 countries that adhere to the Guidelines. The Guidelines help ensure that MNEs act in harmony with the policies of countries in which they operate and with societal expectations. They are the only comprehensive, multilaterally endorsed code of conduct for MNEs. They establish non-binding principles and standards covering a broad range of issues in business ethics. The basic premise of the Guidelines is that internationally agreed principles can help to prevent misunderstandings and build an atmosphere of confidence and predictability among business, labour, governments and society as a whole.

The OECD Guidelines for Multinational Enterprises (the Guidelines) are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The Guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and
the societies in which they operate, to help improve the foreign investment climate and to
enhance the contribution to sustainable development made by multinational enterprises.

The OECD Guidelines for Multinational Enterprises are the most comprehensive instrument
in existence today for corporate responsibility multilaterally agreed by governments. Adhering governments - representing all regions of the world and accounting for 85 per cent of foreign direct investment – are committed to encouraging enterprises operating in their
territory to observe a set of widely recognised principles and standards for responsible
business conduct wherever they operate.

**International Institute for Sustainable Development (IISD)**

The International Institute for Sustainable Development (IISD) is an independent, non-profit
and non-governmental research organization founded in Canada in 1990. IISD is
headquartered in Winnipeg and has offices in Ottawa, New York City, Geneva and Beijing. It
has over 100 staff and associates working in over 30 countries.

The International Institute for Sustainable Development is a Canadian-based, international
public policy research institute for sustainable development.

Since it was first articulated in the Brundtland Commission’s *Our Common Future* in 1987,
sustainable development has never been superseded by a more compelling or universally-
acceptable expression of humanity’s shared goals. At its simplest level, any form of
development that is not sustainable contains the seeds of its own destruction. For
development to be sustainable, it must not only generate wealth: it must also advance social
justice, reduce and eventually eliminate poverty, and remain within the limits imposed by
ecosystem and resource resilience.

- **Vision:** Better living for all—sustainably.
- **Mission:** To champion innovation, enabling societies to live sustainably.
- **Role:** IISD promotes the transition toward a sustainable future; we seek to
demonstrate how human ingenuity can be applied to improve the well-being of the
environment, economy and society.
- **Tools** are policy research, information exchange, analysis and advocacy.
- **Products** are action recommendations based on careful analysis, knowledge networks
to build the capacity of civil society and other organizations in both South and North,
and timely reporting of international negotiations critical to the sustainability of the planet.

- **Audiences** are government, business and civil society.
- **Style** is to increase our influence by working collaboratively with other institutions—building long-term strategic alliances, while retaining the institutional agility necessary to confront the challenges of sustainable development.

Most recently, the Institute’s strategic plan focuses on research and implementation related to 12 thematic areas:

- Macroeconomic policy
- Governance arrangements and processes
- Management of ecological and social systems

**ISO 26000**

Launched in 2010, the ISO 26000 standard clarifies the definition of social responsibility, provides guidance to businesses and organisations on how they can act in an ethical and transparent way by translating the principles of social responsibility into actions and sharing global best practices related to social responsibility. ISO26000 addresses a full range of core subjects related to social and environmental issues in order to promote a sustainable future. The standard does not contain requirements and is not certifiable, unlike other ISO standards.

ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.

This International Standard is intended to be useful to all types of organizations in the private, public and non-profit sectors, whether large or small, and whether operating in developed or developing countries.

This International Standard provides guidance to all types of organizations, regardless of their size or location, on:

a) Concepts, terms and definitions related to social responsibility;
b) The background, trends and characteristics of social responsibility;

c) Principles and practices relating to social responsibility;

d) The core subjects and issues of social responsibility;

e) Integrating, implementing and promoting socially responsible behaviour throughout the organization and, through its policies and practices, within its sphere of influence;

f) Identifying and engaging with stakeholders; and

g) Communicating commitments, performance and other information related to social responsibility.

ISO 14000

ISO 14000 is a family of standards related to environmental management that exists to help organizations (a) minimize how their operations (processes, etc.) negatively affect the environment (i.e., cause adverse changes to air, water, or land); (b) comply with applicable laws, regulations, and other environmentally oriented requirements, and (c) continually improve in the above.

It maps out a framework that a company or organization can follow to set up an effective environmental management system. Using ISO 14001 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved.

ISO 14001, as with other ISO 14000 standards, is voluntary (IISD 2010), with its main aim to assist companies in continually improving their environmental performance, while complying with any applicable legislation. Organizations are responsible for setting their own targets and performance measures, with the standard serving to assist them in meeting objectives and goals and in the subsequent monitoring and measurement of these (IISD 2010).

ISO 14001 is known as a generic management system standard, meaning that it is relevant to any organization seeking to improve and manage resources more effectively. This includes:

- single-site to large multi-national companies
- high-risk companies to low-risk service organizations
- manufacturing, process, and the service industries, including local governments
- all industry sectors including public and private sectors
- original equipment manufacturers and their suppliers.
This International Standard is based on the methodology known as Plan-Do-Check-Act (PDCA). PDCA can be briefly described as follows.

— Plan: establish the objectives and processes necessary to deliver results in accordance with the organization's environmental policy.

— Do: implement the processes.

— Check: monitor and measure processes against environmental policy, objectives, targets, legal and other requirements, and report the results.

— Act: take actions to continually improve performance of the environmental management system.

**Dow Jones Sustainability Index**

The Dow Jones Sustainability Indexes (DJSI) launched in 1999, are a family of indexes evaluating the sustainability performance of the largest 2,500 companies listed on the Dow Jones Global Total Stock Market Index. They are the longest-running global sustainability benchmarks worldwide and have become the key reference point in sustainability investing for investors and companies alike. In 2012, S&P Indices and Dow Jones Indexes merged to form S&P Dow Jones Indices. The DJSI is now managed cooperatively by S&P Dow Jones Indices and Robeco SAM (Sustainable Asset Management).

The DJSI is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices. The trend is to reject companies that do not operate in a sustainable and ethical manner. It includes general as well as industry-specific sustainability criteria for each of the 58 sectors defined according to the Industry Classification Benchmark (ICB).

The DJSI family contains one main global index, the DJSI World, and various indexes based on geographic regions such as: Europe, Nordic, North America and Asia Pacific. The DJSI also contains industry-specific indexes called "blue chip indexes". In addition, the DJSI methodology facilitates the design, development and delivery of customized sustainability indexes; e.g., indexes covering different regions, indexes covering different segments of the leading sustainability companies, indexes covering additional exclusion criteria and indexes denominated in different currencies.
To be incorporated in the DJSI, companies are assessed and selected based on their long-term economic, social and environmental asset management plans. Selection criteria evolve each year and companies must continue to make improvements to their long-term sustainability plans in order to remain on the Index. Indexes are updated yearly and companies are monitored throughout the year.

**UNFCCC (CDM & Kyoto Protocol)**

The Kyoto Protocol to the UNFCCC was adopted in 1997 and requires developed countries and economies in transition listed in Annex B of the Protocol, to reduce their GHG emissions by an average of 5.2% below 1990 levels. Article 12 of the Kyoto Protocol provides for the Clean Development Mechanism (CDM).

India signed the UNFCCC on 10 June 1992 and ratified it on 1 November 1993. The Ministry of Environment and Forests is the nodal agency for climate change issues in India. It has constituted Working Groups on the UNFCCC and Kyoto Protocol. India acceded to the Kyoto Protocol on 26 August 2002.

The **Clean Development Mechanism** (CDM) is one of the flexibility mechanisms defined in the Kyoto Protocol (IPCC, 2007) that provides for emissions reduction projects which generate Certified Emission Reduction units which may be traded in emissions trading schemes.

The Clean Development Mechanism (CDM), provided for under Article 12 of the Kyoto Protocol, enables developing countries to participate in joint greenhouse gas (GHG) mitigation projects. Under this Protocol, Annex I countries (developed countries and economies in transition) are required to reduce GHG emissions to below their 1990 levels.

The CDM enables these countries to meet their reduction commitments in a flexible and cost-effective manner. It allows public or private sector entities in Annex I countries to invest in GHG mitigation projects in developing countries. In return the investing parties receive credits or certified emission reductions (CERs) which they can use to meet their targets under the Kyoto Protocol.
While investors profit from CDM projects by obtaining reductions at costs lower than in their own countries, the gains to the developing country host parties are in the form of finance, technology, and sustainable development benefits.

**GIIN – Global Impact Investing Network**

The Global Impact Investing Network is a not-for-profit organization dedicated to increasing the scale and effectiveness of impact investing around the world. Impact investments aim to solve social or environmental challenges while generating financial returns.

The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. They often aim to address the world’s most pressing challenges, including in areas that have the opportunity to generate attractive returns, such as inclusive finance, clean tech, access to healthcare, sustainable forestry, or affordable housing. Impact investing can have a wide range of return expectations as it includes financial assets across the risk-return spectrum in both emerging and developed markets.

Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.

**1.8 Micro, Small & Medium Enterprises (MSMEs) in India**

Widely regarded as the backbone of the Indian economy, the MSME sector is highly diverse and heterogeneous in its structure. The enterprises range from an entity having just a single self-employed person to the one employing hundreds of people; and from the one supplying goods to a next door neighbour, to the one producing high-tech goods for global supply chains.

A major part of the Indian MSME sector is 'local' in its operations and outlook. Yet it impacts the environment and society in its own way, despite the small numbers of its employees, the localized buyers and the confined surroundings of its place of business.
If we check the statistics of the Indian MSME sector at a glance, The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. According to the data provided by the Ministry of Corporate Affairs, 97% of the MSMEs are in the form of partnerships or proprietorship concerns.

Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. The present ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows:

Table No. 1.6 Classification of Micro, Small & Medium Enterprises

<table>
<thead>
<tr>
<th>Description</th>
<th>INR</th>
<th>USD($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing Enterprises – Investment in Plant &amp; Machinery</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro Enterprises</td>
<td>upto Rs. 25 Lakh</td>
<td>upto $ 62,500</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>above Rs. 25 Lakh &amp; upto Rs. 5 Crore</td>
<td>above $ 62,500 &amp; upto $ 1.25 million</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>above Rs. 5 Crore &amp; upto Rs. 10 Crore</td>
<td>above $ 1.25 million &amp; upto $ 2.5 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>INR</th>
<th>USD($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Enterprises – Investment in Equipments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro Enterprises</td>
<td>upto Rs. 10 Lakh</td>
<td>upto $ 25,000</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>above Rs. 10 Lakh &amp; upto Rs. 2 Crore</td>
<td>above $ 25,000 &amp; upto $ 0.5 million</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>above Rs. 2 Crore &amp; upto Rs. 5 Crore</td>
<td>above $ 0.5 million &amp; upto $ 1.5 million</td>
</tr>
</tbody>
</table>

The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

In India SMEs employ around 40% of India’s workforce, providing 45% of manufacturing output and 40% of total export (Goyal, 2013) but there is a lacking in the Corporate Social Responsibility engagements in this sector. Apart from it the lower band of the SME sector is
not well aware of the Corporate Social Responsibility basics and lacking the necessary knowhow to take Corporate Social Responsibility initiatives.

In spite of having practical and academic interest in Corporate Social Responsibility and resulting affect on the competitiveness of this sector, the number of studies the number of studies are not significant. Conclusion from the quantitative and qualitative research studies are very few related to the Corporate Social Responsibility and SME. (Turyakira, Venter, & Smith, 2012).

It is very important to facilitate the incorporation of the Corporate Social Responsibility initiatives in the SMEs strategy. (UNIDO, 2002)

1.9 South Gujarat region

About Gujarat

The state of Gujarat is one of the highly industrial states in India with its reputation of being a highly investor-friendly state. Gujarat the most urbanized state of India, is situated on the Western coast of India having the coastline of 1600 km. Govt. of Gujarat has touched upon almost all key sectors covering Industry, Power, Ports, Roads, Agriculture and Minerals. Gujarat has registered an impressive industrial development since its formation as a separate state in 1960. The industrial sector at present comprises of over 3584 large industries and over 4,00,000 micro, small and medium industries. As per the results of the Annual Survey of Industry (ASI), 2011-12 carried out by Central Statistical Organization (CSO), under Ministry of Statistics and Program Implementation, Government of India, Gujarat accounts for 16.04% of fixed capital investment, 17.29% of gross output and 10.48 % of net value added in industrial sector in India. This survey further reinforced the position of Gujarat as the most industrially developed state in India in respect of first ranking in industrial investment and second in terms of value of production and value addition in industrial sector.

The industrial geography of the state is characterised by over 800 large industrial units and 3,45,000 MSMEs. Investment in manufacturing sector amounts for 20.4 % of the aggregate investment in the state. Gujarat contribute 21 % in exports and 13 % in India’s industrial production. The number of registered working factories in the state were 21536, with an average daily employment of 9.27 lakhs, approximately 11.6% of the total national workforce.
As per estimates of Institute of Small Enterprises and Development (ISED) the State has the First Rank of integrated overall performance of MSMEs at the national level.

Government of India planned to develop a dedicated freight corridor (DFC) linking Delhi, Mumbai, Kolkata and Chennai. The proposed DFC passes through six states in India, of which Gujarat accounts for 38% (564 km) of total DFC length. (Ahmedabad – Dholera) The influenced area of 150 km on either sides of DFC is being developed as DelhiMumbai Industrial Corridor (DMIC). Almost 62% of the total area of Gujarat (18 out of 26 districts) would be benefited by DMIC development.

DMIC in Gujarat : The DMIC influence constitutes:

• 62% of total area of Gujarat
• 18 out of 26 Districts within the Influence Area
• US$ 30 bn (1/3rd of total) investment will be in Gujarat
• Proposed employment : 8 Lacs

Key industrial sectors in the state include Gems & Jewellery, Engineering, Chemicals & Petrochemicals, Oil & Gas, Textiles & Apparels and Food processing. The emerging sectors include IT/ITEs, Auto/Automobile, ship repairing/building, tourism and knowledge Hubs.

Six development nodes identified in the influence area of DMIC as under:

• Node – 1 : Mehsana - Palanpur Industrial Area (Phase 1)
• Node – 2 : Ahmedabad – Dholera Investment Region (Phase 1)
• Node – 3 : Vadodara – Bharuch Industrial Area (Phase 1)
• Node – 4 : Mehsana - Palanpur Investment Region (Phase 1)
• Node – 5 : Surat – Navsari Industrial Area (Phase 2)
• Node – 6 : Valsad - Umbergaon Industrial Area (Phase 2)

Thus, 3 out of the 6 Nodes of DMIC fall in the South Gujarat region.

Other major developments along the DMIC are Gujarat’s ports to be the most important for hinterland, world class connectivity to the ports & nodes from DFC and six logistics parks being developed along the DMIC.

About Surat
Industrial development in Surat district is attributed to the presence of a large number of diamond processing, textiles and chemical & petrochemical industries. It processes 10 out of 12 varieties of diamonds in the world contributing to Rs. 45,000 Crore, which is approximately 65% of the total diamond exports from India.

It is also known as synthetic capital of India hosts over 65,000 power looms and provides over seven lac jobs in the district. Surat has been very successful in attracting a sizeable amount of Foreign Direct Investment in various sectors like energy, oil, and petroleum. A significant investment of Rs. 3,000 crore (726 million USD) in Hajira terminal project is one of the largest Greenfield FDIs in India.

There are over 41,300 small and medium industries functioning in the district. Some of the main industries are textiles, chemicals, dying & printing, diamond processing, zari (silver) making, and; engineering and related activities (including manufacturing machines & equipments). Maximum number of (nearly 24,000 units) in small and medium enterprises is related to textile industry in the district followed by repairing & service industry with more than 11,000 units. Most of the small scale industries are located in Choryasi (Western Surat), Mangrol and Olpad (Northern Surat), Mandvi (Central Surat) and Palsana (Southern Surat) tehsils of the district.

Table No. 1.7 Industry at a Glance - Surat

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Head</th>
<th>Unit</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Registered Industrial Unit</td>
<td>No.</td>
<td>52,252</td>
</tr>
<tr>
<td>2</td>
<td>Total Industrial Unit</td>
<td>No.</td>
<td>52252</td>
</tr>
<tr>
<td>3</td>
<td>Registered Medium &amp; Large Unit</td>
<td>No.</td>
<td>805</td>
</tr>
<tr>
<td>4</td>
<td>Estimated Average No. Of Daily &amp; Worker Employed In Small Scale Industries</td>
<td>No.</td>
<td>1,45,527</td>
</tr>
<tr>
<td>5</td>
<td>Employment In Large &amp; Medium Industries</td>
<td>No.</td>
<td>1,68,987</td>
</tr>
<tr>
<td>6</td>
<td>No. Of Industrial Area</td>
<td>No.</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Turnover Of Small Scale Industries</td>
<td>Rs. (In Lacs)</td>
<td>6,180</td>
</tr>
<tr>
<td>8</td>
<td>Turnover Of Medium &amp; Large Scale Industries</td>
<td>Rs. (In Lacs)</td>
<td>34,862</td>
</tr>
</tbody>
</table>

Source: www.msmediahmedabad.gov.in
1.10 Rationale of the Study

The Corporate Sector around the world is struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generation. Businesses now have to take responsibility for the ways their operations impact society and the natural environment. The Corporate Sector must now focus its attention on fulfilling their Corporate Social Responsibility (CSR).

Business is no longer just about achieving economic success. The world today is grappling with problems like environmental degradation, climate change, global warming, loss of biodiversity, depleting resources, rampant poverty, inequality and social exclusion. The social and environmental consequences of business are under increasing scrutiny. Purely economic motivations are now considered unsustainable.

The environmental challenges that the world and India, especially as a developing economy, face are depleting natural resources, environmental degradation, sky rocketing GHG emissions and consequently, climate change. The combination of these economic, social and environmental challenges could prove to be detrimental to the future growth of India as a country and as a sustainable economy.

India stands at an unprecedented moment in its history. In the six and half decades since independence, the country has brought about a landmark agricultural revolution that has transformed the nation from chronic dependence on food imports into a global agricultural powerhouse that is not only a net exporter of food but also the world’s largest producer of milk, legumes, and spices. Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have improved, and a sizeable middle class has emerged. India is now home to globally recognized companies in pharmaceuticals and steel, as well as in information and space technologies. The country is in the midst of an enormous wave of urbanization. Urban centres are growing exponentially as legions of people flock to towns and cities in search of a better life. This unparalleled movement of the population calls for massive investments in the creation of jobs, housing, and infrastructure to meet the people’s soaring aspirations.

The historic changes unfolding have placed the country at a unique juncture. India now has the opportunity to “bend the arc of history” by lifting its remaining 400 million poor people out of poverty, and ensuring that the sizeable numbers who have recently escaped poverty are
no longer vulnerable to falling back. Low-income states will need support to catch up with more prosperous states, disadvantaged groups brought into the mainstream to reap the benefits of economic growth, and women — who “hold up half the sky” — empowered to take their rightful place in the socioeconomic fabric of the country.

India has its own challenges as an emerging nation. On one hand it has the world’s second largest human population next only to China and predicted to have one of the world’s youngest and thereby the largest working population by 2026; yet, on the other hand, it ranks 135 among 186 countries in the Human Development Index (HDI) (Human Development Report, 2013). This means that India has a great volume of people, who have a low life expectancy, education, and per capita income. According to a United Nations Educational, Scientific and Cultural Organisation (UNESCO) report (2014), the country has 287 million illiterate adults, accounting for the largest population globally and 37% of the world total (Bhowmick, 2014) with just under 10% having any type of skilling (2% formal and 8% informal) (Mitra, 2015c; Mitra&Schmidpeter, 2016). Or, in other words, unless this population is developed and channelized, it will be a burden not only to India, but also to the world at large.

Moreover, the environmental regulations in India lag behind similar regulations in Organization for Economic Cooperation and Development (OECD) countries by almost a decade and empirical evidence show that Multi National Companies (MNCs) in India and other emerging markets do not necessarily have stricter environmental standards than their local counterparts (Sawhney 1994; Zarsky, 1999; Khan, 2007; Mitra&Schmidpeter, 2016). Hence, not just socio-economic parameters, but, India also needs to upgrade its environmental indicators to transition into a developed economy.

However, the dilemma lies in the fact that despite such unfortunate socio-economic and environmental indicators, India is home to the sixth largest super-rich population (billionaires) in the world. The total billionaire wealth was estimated to be $180 billion (Wealth-X and UBS billionaire census report, 2013), bringing India’s billionaire population to 103 (Mitra, 2014, 2015c; Mitra&Schmidpeter, 2016). Therefore, the population is divided between the haves and the have-nots. The country has urban India on one side and rural Bharat on the other.

Although, this rise in inequality, to some extent, is natural in the early stages of economic development (Sharma, 2012), it remains a persistent challenge in many economies today. In
Asia and the Pacific, inequality has risen over the last decade despite growth rates that have lowered poverty incidence (Son, 2013). Similarly, in India, although poverty has fallen for every social and religious group in every state and in rural and urban areas, separately as well as jointly between 1993–1994 and 2009–2010 (Panagariya&Mukim, 2014), yet, the incidences of inequalities are high. This inequality can pose a threat to growth if it goes unchecked (Sharma, 2012).

Hence, it is imperative to have a strategy in place that will: expand opportunities for the poor and protect the poorest and the most vulnerable (O’Sullivan, 1997). Socio-economic inequality can then be minimised, thus paving the way for an emerging nation to slowly graduate into a developed economy.

Thus, under these circumstances, it is imperative that the national agenda should focus on empowering “the poor and the deprived section of the society” to achieve significant and sustainable human development (Mitra&Schmidpeter, 2016) and to bring about inclusive growth. In other words, the achievement of inclusive growth in the developing world is a significant challenge for makers in international development (Sen, 2014).

Paradoxically, until recently, the SME sector has been given relatively scant attention by Government.

Large and small firms are different in nature”" for example, they have different structures and management styles " which can affect the content, nature and extent of their CSR activities.

The gap in the study is found where a lot of research on CSR has been done for large-scale companies which are listed on the stock exchanges. However, there is lack of research about CSR activities in the local companies or the micro, small & mediuml-scale enterprises operating in the commercial regions spread throughout the country.

Another misbelieve which is common about these relatively small businesses is that they are excused from CSR activities on the grounds that they do not have enough resources & capacity to make such contributions. These misbelieves are very well addressed by the National Voluntary Guidelines given by the Ministry of Corporate Affairs. The Guidelines are designed to be used by all businesses irrespective of size, sector or location and therefore touch on the fundamental aspects – the 'spirit' - of an enterprise. Due to their universal applicability, a special section has been included in the draft NVG on the adoption of these guidelines by the resource constrained micro, small and medium enterprises (MSMEs) to
enable greater future business opportunities and to help them remain socially relevant. The primary objective of these guidelines is to encourage adoption of sustainability reporting and mainstream disclosure on environmental, social and governance metrics. It is based on the premise that you can’t change unless you measure. NVG provide businesses a framework which enables them to move towards responsible decision making and urges them to adopt the “triple bottom-line” approach.

If we check the statistics of the Indian MSME sector at a glance, there are roughly around 26 million number of MSMEs operating in India which provide employment to around 60 million people. Their contribution to Industrial production is 40%, to exports is 45% & to GDP is around 9% according to the data provided by the Ministry of Corporate Affairs. 97% of the MSMEs are in the form of partnerships or proprietorship concerns.

Widely regarded as the backbone of the Indian economy, the MSME sector is highly diverse and heterogeneous in its structure. The enterprises range from an entity having just a single self-employed person to the one employing hundreds of people; and from the one supplying goods to a next door neighbour, to the one producing high-tech goods for global supply chains.

A major part of the Indian MSME sector is ’local’ in its operations and outlook. Yet it impacts the environment and society in its own way, despite the small numbers of its employees, the localized buyers and the confined surroundings of its place of business.

Due to the increasing integration of the Indian economy with the global economy, especially during the last decade, enterprises of all sizes have been gradually exposed to global competition. Global buyers are basing their sourcing decisions not only on traditional commercial considerations such as price, quality and delivery commitments, but also on compliance with social and environmental norms in the workplace, covering, for instance, health and safety, social equity in employment and production, and ecological compatibility of products and processes. Many Indian buyers too are beginning to incorporate these requirements into their purchasing decisions. MSMEs not sensitive to these expectations run a serious risk of isolation and rejection by buyers as well as consumers, whereas those that are responsive to these expectations might find new business opportunities opening up for them.
It has been argued that all organizations have an impact on society and the environment through their operations, products and services and through their interaction with key stakeholders and therefore CSR is important in all firms, large and small (Roche J., "CSR and SMEs: chalk and cheese?", 2002). However, literature on CSR has traditionally focused attention on larger firms. Little is known empirically about the type and extent of social responsibility in small firms (Schaper M. and Savery L., "Entrepreneurship and philanthropy: the case of small Australian firms", 2004) (Penrini F., Russo A. and Tencati A., 2006). While articles have been calling for research on CSR in SMEs since the 1990s, the work to date has been limited and there is a considerable amount of research needed". Further, there is an acknowledgement that research on CSR in SMEs would have both academic and professional benefits (Hornshy J, and Kuralko D., 1994).

A key difference between large and small firms is that in small firms, ownership and management are not separated to the extent that they are in large multinational firms (Spence L. and Rutherford R, 2001). Thus, control remains in the hands of one of the owners, potentially enabling him or her to make personal choices about the allocation of resources (Spence L, 1999). Thus, in SMEs, the acceptance of CSR is largely a factor of the personal attitudes of the owner/manager (Perez-Sanchez D, 2003). Additionally, SMEs by their nature may experience specific barriers to CSR. It has been argued that SMEs are constrained by time and financial resources (Vives A., 2006; Sarbutts N., 2003). A focus on the short term can mean long-term investment projects in CSR are not of immediate concern (Spence L, 1999; Thompson J. and Smith H, 1991; Carlisle Y. and Faulkner D, 2004). On the other hand, it has been argued that being smaller and flatter, SMEs may be better placed than large firms to take advantage of the changing needs of society (Sarbutts N., 2003).

Thus, looking at all the above factors, it becomes important to study CSR among the Micro, small & medium enterprises in various regions of the world, specially the most industrialised ones.